

AR92



The elements of sustainable growth

NORTH WEST COMPANY FUND
2008 SUMMARY ANNUAL REPORT

Financial Highlights

All currency figures in this report are in Canadian dollars, unless otherwise noted

(\$ in thousands, except per unit information)

Year Ended
January 31, 2009

Year Ended
January 31, 2008

Year Ended
January 31, 2007

RESULTS FOR THE YEAR

Sales	\$ 1,392,634	\$ 1,064,490	\$ 944,924
Same store sales % increase ¹	2.7%	6.7%	5.8%
Trading profit ² (earnings before interest, income taxes and amortization)	\$ 122,257	\$ 106,557	\$ 96,369
Earnings before interest and income taxes ² (EBIT)	90,203	79,607	70,197
Net earnings	75,378	62,991	53,660
Cash flow from operations ²	106,324	94,739	78,753

FINANCIAL POSITION

Total assets	\$ 609,173	\$ 529,670	\$ 441,869
Total debt	213,026	159,833	107,503
Total equity	274,410	256,301	252,030

FINANCIAL RATIOS

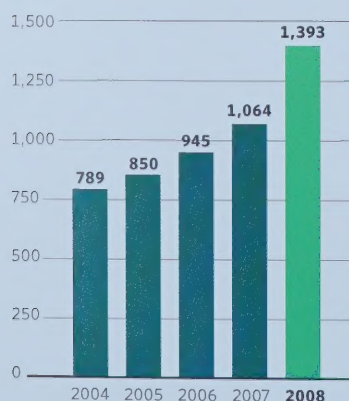
Debt-to-equity	.78:1	.62:1	.43:1
Return on net assets ³	19.8%	21.0%	19.7%
Return on average equity	28.6%	24.9%	21.7%
Sales blend: Food	75.0%	70.0%	71.0%
General Merchandise	22.0%	26.0%	25.0%
Other	3.0%	4.0%	4.0%

PER UNIT (\$)—DILUTED⁴

Trading profit ²	\$ 2.52	\$ 2.20	\$ 1.99
Net earnings	1.56	1.31	1.12
Cash flow from operations ²	2.20	1.96	1.63
Market price—January 31	16.14	18.42	16.41
—high	19.99	22.68	18.50
—low	13.00	15.01	10.64

Sales

(\$ in millions)



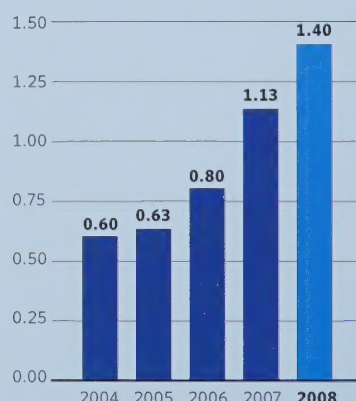
Trading Profit²

(\$ in millions)



Cash Distributions

Per Unit - Diluted (\$)



1 Same store sales, excluding the foreign exchange impact, on an equivalent year basis

2 See Non-GAAP measures section on page 22 in the Management's Discussion & Analysis and Consolidated Financial Statements report which is available through SEDAR at www.sedar.com or the Company's website at www.northwest.ca

3 Earnings before interest and income taxes as a percent of average net assets employed

4 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006

Chairman's Message



Front Cover Champion dog-sledder Michael Akaralak of Arviat packs his sled in preparation for a hunt on the ice; twins AnnaMay and Amanda André-Niditchie check out fashions at the Inuvik NorthMart; fresh produce is now a major part of NWC's offer in all 223 stores; the AC Value Center bakery/deli team in Barrow offers healthy, tasty choices; the acquisition of the Cost-U-Less, Inc. chain of warehouse club-style stores in the South Pacific and the Caribbean has expanded NWC's retail presence to surprising new locations such as St. Maarten.

It is a privilege to provide my first annual message to unitholders since being appointed Chairman of the Board of Trustees of the North West Company Fund last June. I am fortunate to follow in the steps of Ian Sutherland, who provided superb leadership to the Board over the previous 11 years.

In 2008, the Fund delivered another year of top quartile investment performance. Total return on units of the Fund was -5.2% compared to -31.8% for the Toronto Stock Exchange (TSX) Composite Index and -29.4% for the retail component of the TSX. During the past five years, the Fund's units have produced an annualized compound return of 23.1%.

Last year, the Board completed two significant new governance initiatives: the restructuring of North West's long-range compensation programs and the adoption of a more clearly structured strategic role for the Board.

Our work on long-range compensation was triggered by the pending expiry of North West's Unit Purchase Loan Program and the recognition that this type of incentive, although very efficient and effective, is no longer considered a very best practice. The Board's work started with a comprehensive review of other North American retailers and was driven by the objective of rewarding our management team for sustained growth and strong income distributions. Accordingly, the new program provides approximately 50 senior managers with a combination of time- and performance-based trust unit awards predicated on the Fund's rolling three-year performance. Senior executives will also be granted performance-based, time-vested options.

Further developing the Board's strategic role was the other major governance initiative of the past year. Following consultation with our CEO and other senior executives and a review of different models at other organizations, we settled on an approach that will give the Board a more active role in reviewing management-initiated strategies at various stages. A meeting calendar was established to ensure that sufficient time each year is dedicated to specific strategic issues such as long-range corporate development, store banner competitive strategy and senior talent development.

With the completion of the Cost-U-Less, Inc. acquisition in December 2007, the Board's work also focused on the integration and operating performance of this new venture. The results on both counts were very encouraging.

We are now in a period of uncharted economic turbulence that will test North West's resiliency. We have the advantage of a solid market position and a talented, dedicated team of employees. Our priority will be to sustain long-term investment returns, but we will also consider unique opportunities that often surface in challenging times.

On behalf of the Board and all unitholders, I want to acknowledge the continuing efforts of all Nor'Westers and to express our appreciation for their contributions to our continuing success.

H. Sanford Riley

Chairman, Board of Trustees
April 21, 2009

Consolidated trading profit and net earnings increased by 14.7% and 19.7% respectively.

North West achieved record sales and earnings for the ninth consecutive year in 2008. This was a noteworthy accomplishment given the turmoil in North American credit markets and the subsequent contraction in consumer spending that has hurt most mainstream retailers. We are not immune to broad economic forces, but we have the advantage of a strong competitive position in some of the world's most remote and favourable marketplaces. You can learn more about these strengths – what we refer to as *the elements of sustainable growth* – in pages 8 to 19 of this report.

Last year's growth was fueled by solid same store food performance and the late 2007 acquisition of Cost-U-Less, Inc. (CUL), our chain of warehouse stores serving the South Pacific and Caribbean. Consolidated trading profit and net earnings increased by 14.7% and 19.7% respectively, and this was our fourth straight year of annual gains in excess of 10%.

Our sizeable retail presence in the North and our ability to quickly adapt to unique selling conditions also helped drive results last year. The Indian Residential School Settlement Act (IRSSA) payments, which stimulated spending in northern Canada in the fourth quarter of 2007, carried over into the first quarter of 2008. As expected, we also benefited from more natural resource development activity in the Canadian North and from a 98% larger Permanent Fund Dividend (PFD) paid to Alaskan residents during the third quarter.

Throughout most of the year our newer Giant Tiger stores were challenged by intense food competition and a robust regional economy in Saskatchewan and Alberta. In this environment, Giant Tiger's convenient discount value offer was less attractive to shoppers and less profitable to us.

At first glance, our fourth quarter sales performance might be interpreted as a reflection of contracting consumer spending, tied to the North American economy. We believe, however, that the softness in our rate of top-line growth can be more accurately attributed to the timing and amounts of IRSSA and PFD income flows from prior periods. This view is supported by the fact that, while sales of discretionary general merchandise categories fell off, our food and other everyday businesses remained healthy.

President & CEO's Message



President & CEO's Message (Continued)

Major Accomplishments in 2008

Integrating CUL into our operations was a priority in 2008. With the exception of a larger-than-expected system project, the results were positive – from same-store sales and operating margin performance to achieving most of our synergy targets with respect to administration, logistics and other store support functions. CUL's performance confirmed that we have invested in an exceptional store-level and support office team. Their experience kept us on track in a potentially distracting year and gives us every reason for confidence in realizing CUL's longer-term growth potential.

Senior leadership development at North West was another key task in 2008, one which set the stage for a series of wider cultural initiatives that will be taking place over the next year. The emphasis was on building a common understanding and practice of the core qualities that show leadership in action at North West. These include: *Thinking Customer First, Passion, Enterprising Spirit, Accountability, Trust and Personal Balance.*

Our Giant Tiger (GT) stores received more attention than ever last year. The emphasis was on revitalizing our food offer, recognizing the role food plays in drawing customers to the full GT shopping experience of convenience, low prices and great fashion and home products. Pricing was managed better as the year progressed. More compelling opportunity buys, more store brand selection and expanded international foods sections were key elements of our strategy. We did not get to the profit level we wanted in our newer stores, but the improvement trend was clear. A solid foundation is in place for Giant Tiger to outperform in 2009, and we are well-positioned to take advantage of our urban customers' shift to value pricing.

Inventory productivity is an ongoing priority within our northern retail banners. In 2008, we focused on getting our general merchandise inventory right-sized and more profitable. Store-based ordering was aligned with targets for higher inventory turns and lower inventory weeks on hand. The transition achieved a 16% reduction in average inventory levels and, as with our Giant Tiger food sales initiative, we laid important groundwork for efficiency improvements in 2009 and beyond.

2008 Key Initiative Report Card

Initiative	Target	Actual
Cost-U-Less Integration	Achieve annualized administration savings of US\$3 million and minimum store trading profit of US\$10 million.	Achieved annualized administration savings of US\$3.2 million. An additional US\$300,000 will be realized in 2009. Trading profit of US\$11.4 million was realized in 2008.
Leadership Development	Complete leadership teaching modules for 50 most senior managers.	Completed the redesign of five managerial processes and nine leadership teaching models for 50 most senior managers.
Giant Tiger Food Offering	Achieve same-stores sales increase of 6.2% and 5.3% gain in gross profit dollars.	Achieved a 5.5% increase in sales and a 0.9% increase in gross profit dollars.
Northern Canada General Merchandise Productivity	Achieve average inventory reduction of 22%.	Achieved a 16% reduction in average general merchandise inventory. Target was missed due to weaker fourth quarter sales.

The Year Ahead

At North West, our success has always depended on striking the right balance between getting sales today and being ready for opportunities that will sustain our business in the future. This principle can be seen at work in our core strategy of being the leading community retailer to small, underserved markets. We believe that there is ample room for growth within this chosen area of focus and that our approach of carefully and consistently investing in new opportunities has enabled us to sustain and increase income distributions to our unitholders.

Like other retailers, we expect that uncertainty in the North American economy will restrain discretionary consumer spending for some time to come. Amid this environment, however, North West will continue to occupy an enviable position, with a network of stores that is focused on delivering everyday necessities in markets that are relatively isolated – both geographically and economically – from the broader turmoil in the retail industry.

As a result, I believe that we can continue to deliver sales and earnings gains in 2009 – albeit at a lower rate of growth than in the past two years – with more upside in the third and fourth quarters. More specifically, we expect:

- Stable consumer food spending at all of our banners for which food sales represent 75% of total sales.
- Significantly lower average fuel prices weighted to the second half of the year as supplies in remote markets are replenished. This will deflate our overall food sales by 1% but gross margin dollars should not be impacted.
- Lower fuel prices in the second half will cause our remote customers' disposable income to increase due to savings from lower transportation and utility costs.
- Lower tourist spending will weaken CUL's island economies but CUL's discount price format should provide a degree of resiliency within these markets.
- Our Giant Tiger stores will expose us to the effects of a recessionary environment, especially in Alberta. Similar to CUL, however, we expect GT's discount format to outperform in these conditions.

- Mineral exploration and development will be drastically lower in the North. This will remove an estimated \$10 - \$15 million in sales from our stores.
- Ramped up public infrastructure spending will make only a modest difference to northern economies in 2009 due to lengthy "shovel-ready" lead times. In 2010, the benefit from this stimulus could be significant, amplified by the large public sector role in these markets.
- Productivity and cost streamlining initiatives will be our work focus, led by energy retrofits in our stores, support office efficiencies and consolidation of our Pacific Northwest distribution facilities.

A Word of Thanks

The North West Company is a true business partnership between people who share a passion for community retailing. Thanks to the talent and enterprising spirit of our associates and management teams we've been able to build upon a 340-year tradition of innovation and growth. With their continued support, I am confident we'll continue to make the most of our opportunities, and satisfy the expectations of our customers, communities and investors in the year ahead.



Edward S. Kennedy

President & CEO
April 21, 2009

223 locations¹



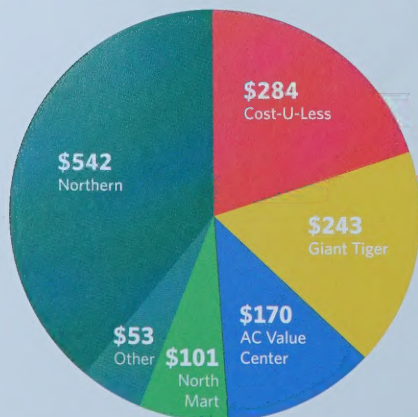
6,805 employees



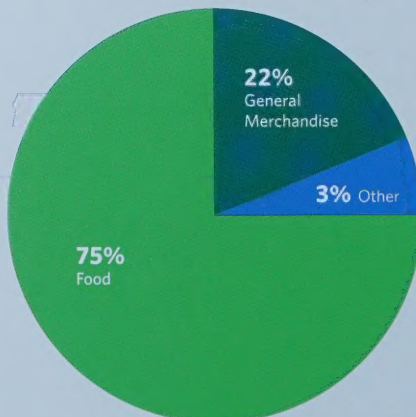
\$1.4 billion sales

2008 Revenue by Banner

(\$ in millions)



Sales Blend



The North West Company is a leading retailer of food and everyday products and services to rural communities and urban neighbourhoods in Canada, Alaska, the South Pacific and the Caribbean.



139 stores²

Northern stores offer a combination of food, financial services and general merchandise to remote northern Canadian communities.



7 stores

NorthMart stores are targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services.



29 stores

Giant Tiger are junior discount stores that offer family fashion, household products and food to urban neighbourhoods and larger rural centres in western Canada.



33 stores²

AC Value Center stores are similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska.



12 stores

Cost-U-Less is a chain of mid-sized warehouse stores offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean.

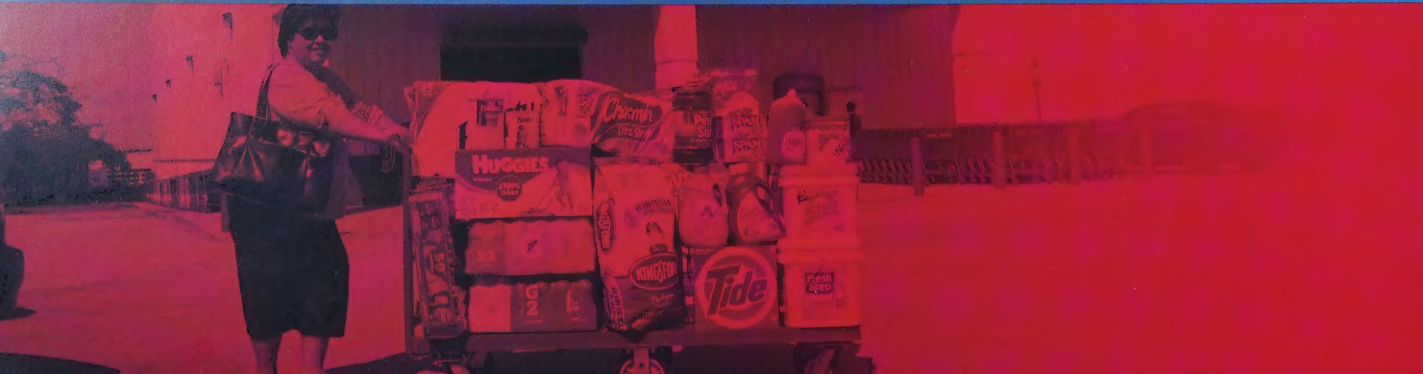
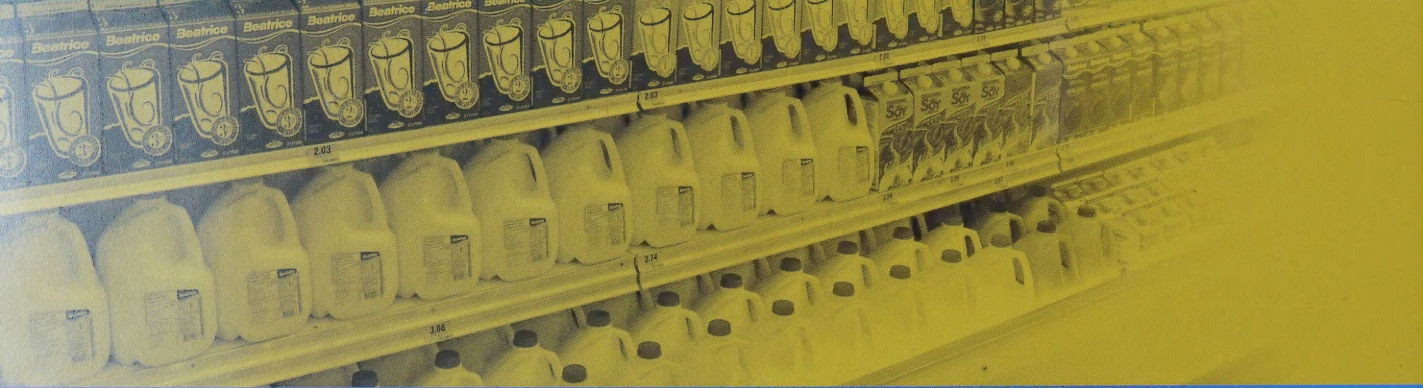
¹ Includes Valu Lots and two Fur Marketing outlets

² Includes Quickstop stores

Information as of April 21, 2009



The elements



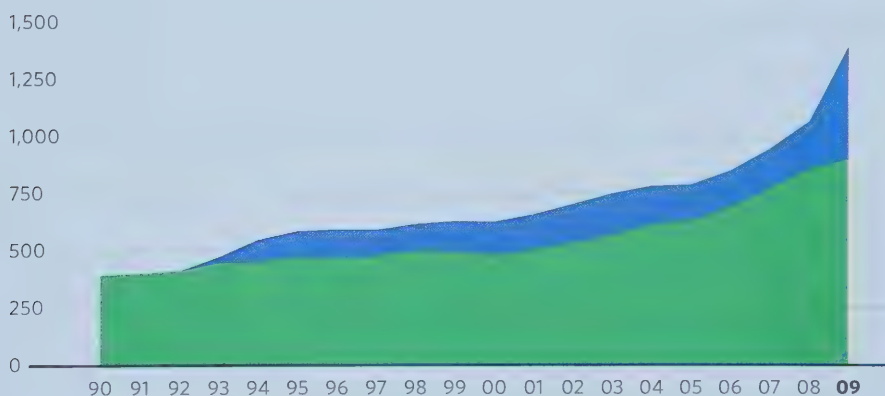
of sustainable growth

During the past 10 years, the compound average rate of return on units of the North West Company Fund was 21.4%. Which means that \$10,000 invested in 1999 was worth almost \$70,000 on January 31, 2009. That performance was made possible by a favourable combination of industry fundamentals and competitive advantages we refer to as *the elements of sustainable growth*. Amid the economic turbulence facing most North American retailers, they continue to augur well for our performance.

Twenty-Year Sales History

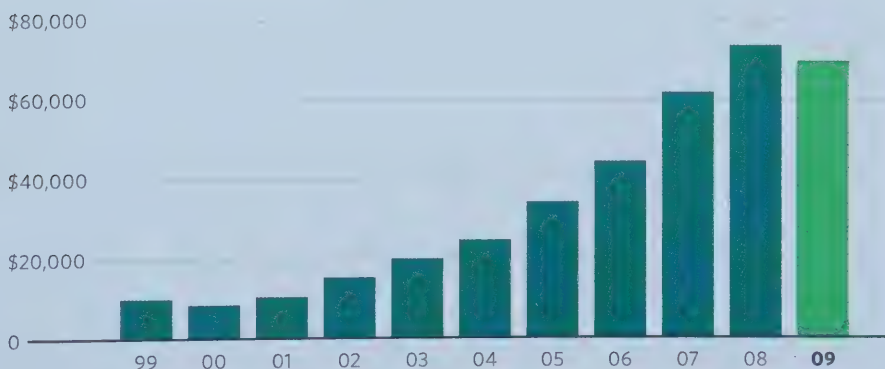
January 31, 1990 – January 31, 2009 (\$ in millions)

■ Canadian Operations ■ International Operations



Ten-Year Unitholder Return on \$10,000 Initial Investment

January 31, 1999 – January 31, 2009



Facing Page Inuvik is typical of the 146 remote communities in northern Canada served by NWC; June Miranda assists Maria Arey with a financial transaction at the NorthMart in Inuvik; well-stocked dairy section at Giant Tiger; close relationships with suppliers such as air cargo companies are key to delivering fresh produce to remote northern markets; CUL customers like Julie Murakami in Tamuning, Guam enjoy the convenience of warehouse-style shopping for bulk top-brand offerings, fine food, and big-ticket items.

Favourable industry



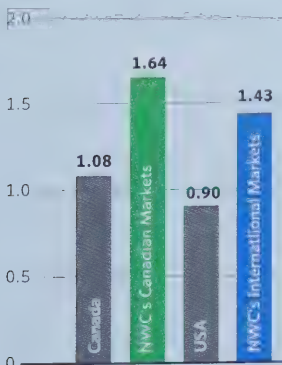
fundamentals

During the past 20 years as a public company, we've been creating success in places that are not on the radar screens of most retailers. We are the dominant provider of food and general merchandise in some of the world's most remote communities, from the High Arctic to the Tropics.

While they vary greatly by climate and latitude, most of our markets share very favourable characteristics. They are distant from the intensive big-box retailing of urban markets. Their populations are relatively young and faster growing. Average incomes, while lower than those in urban centres, are steady and reliable with a high proportion of earnings derived from government funding. Most family expenditures are focused on meeting the essential, local everyday needs that form the core of what we sell.

Each of these characteristics helps insulate our stores from downturns in the broader North American economy. Even our urban Giant Tiger banner – with its focus on low prices and everyday needs – is well positioned as uncertain consumers seek better value for their money.

Faster Population Growth in Key Markets (%)



Higher-than-average population growth is one of the reasons for the Company's increasing sales. The rate of population growth in North West's Canadian markets is approximately 52% higher than the national average; the growth rate in our International markets is 59% higher than in the United States.



Northern is the original core store banner of The North West Company and today consists of 139 food and general merchandise stores, including Quickstop convenience stores, serving remote, northern Canadian communities. Northern is the first shopping choice in its markets thanks to consistently superior local selection, being in stock at the right time, helpful, friendly service, and unwavering community support.

Arviat, Nunavut

(left) Tina Kaurayok with husband Sean Kablutsiak and children stock up on everyday basics, including NWC's private label, Best Value flour and frozen meats.

(above) Katelyn Szarevick shows off one of NWC's reusable shopping bags outside of the Northern store, this community's major retail outlet for fresh food and everyday merchandise.



Remote market








expertise

When you deliver a broad range of products and services over vast distances and under extreme weather conditions, logistical challenges come with the territory. We've been meeting them in some of the most physically isolated communities on earth for generations.

As in any retail operation, getting sales depends on delivering the right product, at the right time, at the right price. That's not easy when your stores are thousands of miles from the nearest rail line or highway. It takes special skills – from accurately forecasting customer demand a year in advance to managing the complexity of multi-mode transportation to delivering tropical fruit, fresh and intact, above the Arctic Circle.

High transportation costs are a fact of life in remote communities, but as the largest shipper in Alaska and northern Canada, we've learned how to deliver a remarkable selection of products at the lowest possible cost. Much of our Alaskan freight originates in the Pacific Northwest, which is also the major trade hub for the South Pacific. In this way, the acquisition of Cost-U-Less, Inc. has further strengthened an important competitive advantage.

Transportation Modes

	Northern	NorthMart	Giant Tiger	AC Value Center	Cost-U-Less, Inc.
	111	2	-	28	1
	45	1	-	25	11
	14	-	-	-	-
	46	7	29	-	1
	42	-	-	-	-

Given the remoteness and vast geography of our markets, many stores utilize multiple transportation methods. The table above shows the number of stores served by the various modes of transportation.

NorthMART
Wholesale & General Groceries Delivery Service



NorthMart is a group of seven large-scale convenience food and general merchandise stores especially created to serve remote families in Canada's North. Featuring an expanded range of fashion merchandise and fresh food, NorthMart is a destination for shoppers and comes closest to providing the breadth of quality and selection typically found in urban centers.

NorthMart's Northwest Territories

Our North-West Territories and Nunavut stores carry a selection of fresh fruits & vegetables (seasonal & organic) available at NorthMart.

Alaska's largest transportation provider, the Alaska Department of Transportation, is a key partner in our logistics network. The Alaska Department of Transportation is a key partner in our logistics network. The Alaska Department of Transportation is a key partner in our logistics network.

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An enterprising



culture

The North West Company opened for business in 1668 with the founding of North America's first trading post at Waskaganish on James Bay. More than 340 years later, we are doing our best to build on the pioneering tradition of our earliest merchants by being the best everyday retailers in the unique communities we serve.

An enterprising culture is at the heart of our success. It can be seen in the everyday ingenuity of our people - from anticipating customer needs to managing the unusual complexity of meeting them. "What's new?" is a question we hear everyday in our stores, and there is a different, exciting answer for every selling and service opportunity.

People are attracted to building enterprising careers with us because we give them freedom to find better ways to meet the needs of each unique market we serve. We nurture and sustain our enterprising culture by pushing down accountability, building up capability and rewarding performance. Whether it's finding more sales or making ourselves more productive, there is a proud and restless energy at North West that keeps us looking ahead.

Facing Page Prince Albert Giant Tiger Store Manager John Tse (here with Margo Allaire and Kirsten Specht) exemplifies the energetic and motivated store teams that contribute to our ongoing success. A thorough understanding of customers' wants and needs informs actionable plans on how to improve sales and capitalize on profit opportunities.

In the past year, John's team increased the assortment, product depth and flow in both rubber boots and kids outerwear, with outstanding results. Rubber boots were up 141% in sales and 153% in gross margin dollars. Kids outerwear achieved a 34% increase in sales and a gross margin dollar increase of 41% over last year!



Giant Tiger has a growing retail presence in western Canada. From its beginning six years ago, North West now owns and operates 29 Giant Tiger junior discount stores under a master franchise agreement with *Giant Tiger Stores Limited*. Giant Tiger's convenient locations provide shoppers with a unique blend of everyday low prices on basic family and household needs combined with the newest fashions, arriving daily, at equally unbeatable prices.

Prince Albert, Saskatchewan

(above) Jean Cheney loves Giant Tiger. Hardly a day goes by without a visit to the store, where she finds everything from fresh food to affordable fashions.



Community-centred



retailing

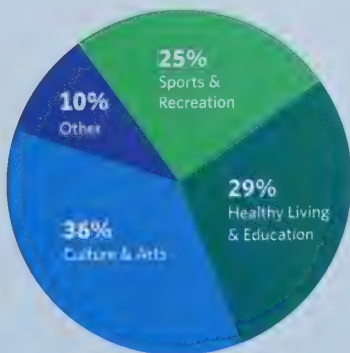
At North West, we have always defined our business one customer, and one community, at a time. Our stores are human-scale, casual and friendly, and we usually have the pleasure of greeting our customers by name. Time often moves at a slower pace, one that is set by the rhythms of the land instead of the clock. Our stores are important social centres where customers are more inclined to catch up with friends than worry about making the next appointment.

In communities with limited resources, we can be counted on as a supportive citizen, providing local employment, donating to local causes and working in partnership with other businesses.

These relationships are as important to us as they are to our customers. We are invited into the communities we serve to improve the quality of living amid difficult logistics, climate and other challenges. This is a compelling and valued part of our work at North West. We take pride in the opportunity to do what is right for our business, as well as our communities, every day.

Corporate Giving

(% of corporate donations in 2008)



The North West Company contributed approximately 1.5% of net earnings to various causes in 2008.



AC Value Center (AC) is the largest retailer in rural Alaska, with 33 combination food, general merchandise and Quickstop stores. AC has earned its position as a retailer of choice for rural Alaskans by supporting our communities and by providing a great selection of lifestyle products, with friendly service, at the best local price.

Berrov, Alaska

(left) Masek Masek, AC Deli-Saltery Manager, is a champion runner and is active locally in promoting healthier lifestyles. He has spearheaded (and won) annual runs in Berrov, encourages everyone locally (especially the youth) to get out and exercise, and has raised over \$10,000 for the annual Teen Diabetes run held in Orlando, Florida this year, at which he represented the North West International Division. Masek is pictured here with Dennis Sullivan promoting "Healthy Living" in the deli section.

(right) Winter daylight hours are scarce in this high Arctic, so all are making the most of them. The outdoor AC patio area is the place to enjoy the sun.



Opportunity in



new markets

At North West, community retailing is a local and an international strategy, all in one. From the South Pacific to the Caribbean to the Arctic, our stores have the same essential role. In each market we deliver everyday products and services with a culturally sensitive approach that takes local retailing to a higher level.

We rely on specialized merchandising and logistics knowledge that has been acquired over hundreds of years. We work closely with community leaders and local government to deliver a total economic and social benefit that demonstrably improves quality of life. And we have a track record of investing in people and infrastructure for the long term.

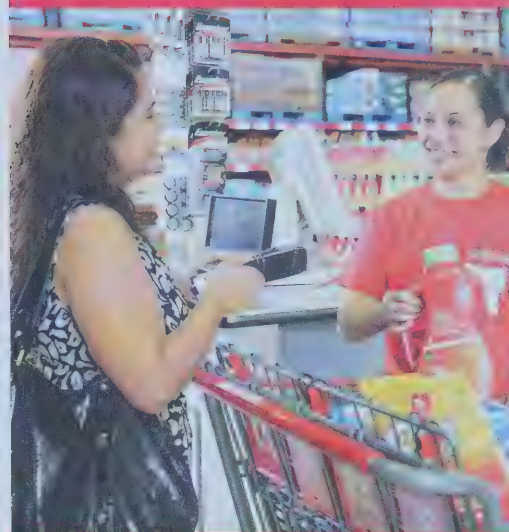
It's an approach that has given us room to grow. The Cost-U-Less, Inc. acquisition may have taken us to warmer latitudes, but it provided a very familiar opportunity to leverage our experience with diverse cultures, complex logistics and second world infrastructure. The success of our Giant Tiger network also draws upon our core skills – from serving lower-income segments of the retail market to decades of experience in operating small-box stores.



Our new Island Fresh IGA supermarket banner is designed to complement and build upon CUL's successful warehouse club format with an expanded range of fresh, ethnic and everyday food items in an exceptional 'hometown proud' shopping experience.

COST U LESS

Your Best Value Warehouse Store



Cost-U-Less, Inc. is a growing chain of 12 mid-sized warehouse club-style stores in South Pacific and Caribbean island markets. CUL has earned its position as the best value warehouse store on each island by providing wider than usual warehouse selection, friendly service, and everyday low prices without club membership fees, all the while remaining sensitive to each community's needs.

Growing U.S. Pacific Island Territory

Open a new store with a strong presence of CUL's experienced retail staff.

Subsidiary, Island Fresh IGA serves ethnic food items and fresh produce in the Territory.





Unitholder Information

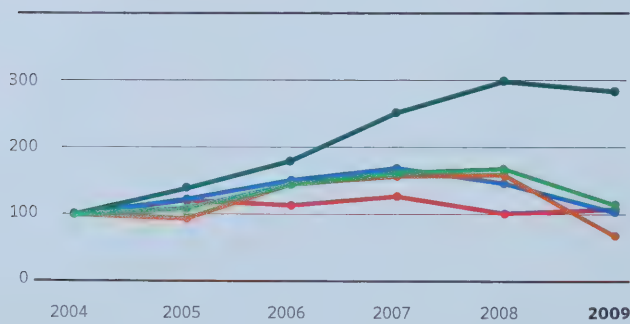
Fiscal Year	Unit Price High	Unit Price Low	Unit Price Close	Volume ¹	EPU ²
2008	\$ 19.99	\$ 13.00	\$ 16.14	16,402,351	\$ 1.56
April 30, 2008	19.99	17.37	18.53	3,378,010	0.32
July 31, 2008	18.75	14.20	14.55	4,473,357	0.38
October 31, 2008	17.75	13.00	17.00	4,438,533	0.46
January 31, 2009	18.50	15.10	16.14	4,112,451	0.40
2007	\$ 22.68	\$ 15.01	\$ 18.42	17,329,531	\$ 1.31
April 30, 2007	20.93	15.01	20.55	6,369,558	0.23
July 31, 2007	21.15	18.29	21.14	3,710,133	0.30
October 31, 2007	21.96	19.25	21.79	2,847,888	0.39
January 31, 2008	22.68	17.69	18.42	4,401,952	0.39
2006	\$ 18.50	\$ 10.64	\$ 16.41	13,166,699	\$ 1.12
April 30, 2006	14.17	10.64	13.62	1,543,300	0.20
July 31, 2006	15.96	12.65	15.49	2,360,545	0.27
October 31, 2006	18.50	14.74	17.61	3,105,911	0.31
January 31, 2007	17.19	12.25	16.41	6,156,943	0.34

¹ Volumes are reflected as the actual volumes traded and show a blend of pre and post September 20, 2006 unit split trades

² Net earnings are per unit on a diluted basis

Total Return Performance (% at January 31)

This chart illustrates the relative performance of units (on a post split basis) of North West Company Fund over the past five years. The index incorporates the reinvestment of dividends and income distributions.



NWFUN	100	139	180	251	298	283
TSX Composite	100	110	145	162	168	115
Consumer Durables/ Apparel Group	100	94	146	157	159	68
Retailing Group	100	123	152	169	147	104
Food/Staples Retailing Group	100	120	115	127	102	108

2009 Financial Calendar Reporting Dates

First Quarter: June 11, 2009

Second Quarter: September 10, 2009

Third Quarter: December 10, 2009

Fourth Quarter: March 18, 2010

North West Company Fund Distribution Dates

Record and Payable Date: March 31, 2009

Distributable Date: April 15, 2009

Record and Payable Date: June 30, 2009

Distributable Date: July 15, 2009

Record and Payable Date: September 30, 2009

Distributable Date: October 15, 2009

Record and Payable Date: December 31, 2009

Distributable Date: January 15, 2010

2009 Annual and Special Meeting

The Annual and Special Meeting of Unitholders of North West Company Fund will be held on Thursday, June 11, 2009 at 11:30 am in room 2GH, Winnipeg Convention Centre, 375 York Avenue, Winnipeg, Manitoba.

Transfer Agent and Registrar

CIBC Mellon Trust Company

Calgary and Toronto

Toll-free: 1 800 387 0825

www.cibcmellon.ca

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol NWF.UN

TIN #: T 17 6857 82

CUSIP #: 662906-10-6

Number of units issued and outstanding at January 31, 2009: 48,378,000

Auditors

PricewaterhouseCoopers LLP

Bankers

The Toronto-Dominion Bank

Bank of Montreal

Complete disclosure on North West Company Fund's corporate governance is provided in the Company's Management Information Circular, which is available on the Canadian Securities Administrators' website at www.sedar.com or in the investor section of North West Company Fund's website at www.northwest.ca

Corporate Governance

Executives of NWC GP Inc. and The North West Company LP

Edward S. Kennedy
President & CEO

Léo P. Charrière
Executive Vice-President & CFO

Michael W. McMullen
Executive Vice-President,
Northern Canada Retail

Dalbir S. Bains
Vice-President,
Planning & Corporate Development

David M. Chatyrbok
Vice-President,
Canadian Procurement & Marketing

Daniel G. McConnell
Vice-President,
Real Estate & Store Development

Scott A. McKay
Vice-President & General Manager,
Giant Tiger, West Store Division

Karen J. Milani
Vice-President,
Human Resources

John D. King
Vice-President,
Finance & Secretary

Gerald L. Mauthe
Vice-President,
Information Services

C. Sabra Stephens
Vice-President,
Logistics & Supply Chain Services

Executives of The North West Company (International) Inc.

Edward S. Kennedy
Chairman & CEO

Rex A. Wilhelm
President & COO

Henry J. Baldwin II
Vice-President,
Human Resources

J. Robert Cain
Vice-President,
Logistics & Supply Chain Services

Léo P. Charrière
Executive Vice-President & CFO

Thomas M. Kallio
Vice-President & General Manager,
Cost-U-Less

John D. King
Vice-President
Finance & Secretary

Benjamin C. Platt
Vice-President,
Procurement & Marketing

Walter E. Pickett
Vice-President & General Manager,
AC Value Centers

James W. Walker
Vice-President & General Manager,
Wholesale Operations



Trustees of North West Company Fund

H. Sanford Riley
Chairman

Edward S. Kennedy

David G. Broadhurst^{1,2,4}

Frank J. Coleman¹

Wendy F. Evans^{2,3}

Robert J. Kennedy^{2,3}

Gary J. Lukassen²

Keith G. Martell³

James G. Osborne^{1,3,4}

Ian Sutherland^{2,3,4}

Committees

- 1 Governance & Nominating
- 2 Audit
- 3 Human Resources & Compensation Supervisory
- 4 Pension Supervisory

For additional copies of this report or for general information about the Fund or the Company, contact the Secretary:

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Herman Crisostomo



The North West Company traces its roots to North America's first trading post, established at Waskaganish on James Bay in 1668. Nor'Westers have consistently been associated with the vision, perseverance, and enterprising spirit of the voyageurs who pushed past limits to further our Company's growth during the fur trade. Today, we continue to embrace this pioneering culture as true "frontier merchants."

Shooting the Rapids
by Frances Anne Hopkins (1879)
National Archives of Canada
#C-002776 Acc. No. 1589-401-2

ENTERPRISING SINCE 1668



NORTH WEST COMPANY FUND 2008

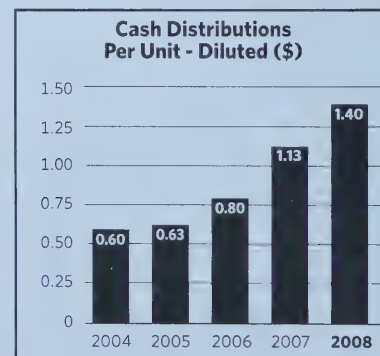
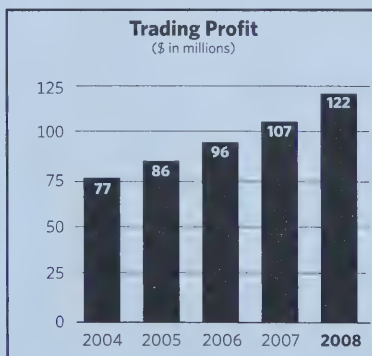
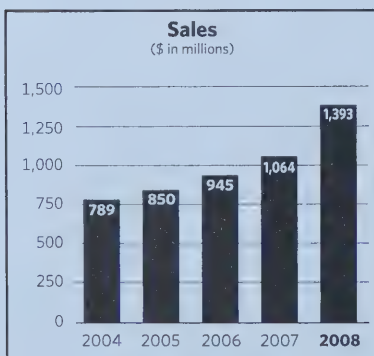
Management's Discussion & Analysis and Consolidated Financial Statements

ENTERPRISING · SINCE 1668

Financial Highlights

All currency figures in this report are in Canadian dollars, unless otherwise noted

(\$ in thousands, except per unit information)	Year Ended January 31, 2009	Year Ended January 31, 2008	Year Ended January 31, 2007
RESULTS FOR THE YEAR			
Sales	\$ 1,392,634	\$ 1,064,490	\$ 944,924
Same store sales % increase ¹	2.7%	6.7%	5.8%
Trading profit ² (earnings before interest, income taxes and amortization)	\$ 122,257	\$ 106,557	\$ 96,369
Earnings before interest and income taxes ² (EBIT)	90,203	79,607	70,197
Net earnings	75,378	62,991	53,660
Cash flow from operations ²	106,324	94,739	78,753
FINANCIAL POSITION			
Total assets	\$ 609,173	\$ 529,670	\$ 441,869
Total debt	213,026	159,833	107,503
Total equity	274,410	256,301	252,030
FINANCIAL RATIOS			
Debt-to-equity	.78:1	.62:1	.43:1
Return on net assets ³	19.8%	21.0%	19.7%
Return on average equity	28.6%	24.9%	21.7%
Sales blend: Food	75.0%	70.0%	71.0%
General Merchandise	22.0%	26.0%	25.0%
Other	3.0%	4.0%	4.0%
PER UNIT (\$) - DILUTED ⁴			
Trading profit	\$ 2.52	\$ 2.20	\$ 1.99
Net earnings	1.56	1.31	1.12
Cash flow from operations	2.20	1.96	1.63
Market price - January 31	16.14	18.42	16.41
- high	19.99	22.68	18.50
- low	13.00	15.01	10.64



1 Same store sales, excluding the foreign exchange impact, on an equivalent year basis

2 See Non-GAAP measures section on page 22

3 Earnings before interest and income taxes as a percent of average net assets employed

4 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006

Management's Discussion & Analysis and Consolidated Financial Statements

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) for the North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on the financial information included in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements on pages 26 to 43 which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are in Canadian dollars unless otherwise stated. The information contained in this MD&A is current to March 19, 2009, unless otherwise stated.

Forward-Looking Statements This Management's Discussion & Analysis (MD&A), contains forward-looking statements about the North West Company Fund, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings or growth rates), ongoing business strategies or prospects, and possible future Fund action, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Fund due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Fund's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of this MD&A. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise. Additional information on the Fund, including our Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company (NWC or North West) is a leading community retailer to underserved rural communities and urban neighbourhood markets in the following regions: northern Canada, western Canada, rural Alaska, the South Pacific and the Caribbean. Our stores offer a broad range of retail products and services with an emphasis on food. Our value offer is to be the best local shopping choice for everyday household and local lifestyle needs.

Our core strengths center on our ability to adapt our product mix to each market we serve; our logistics expertise in moving product to, and operating stores within, remote or difficult to serve locations; our knowledge in serving indigenous and lower-income customers and our ability to apply these strengths to serve customers within complementary niche markets.

North West owns a rich enterprising legacy as one of the longest continuing retail enterprises in the world, with many of our stores in northern Canada and Alaska having continuously served their communities for almost 340 years. Today these northern stores operate in communities with populations from 500 to 7,000. A typical store is 7,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products, and services such as quick-service prepared food, special ordering, money transfers and cheque cashing.

We have also applied our expertise and infrastructure to new markets. These include the expansion of wholesaling to independent stores, opening junior discount stores in rural communities and urban neighbourhoods in western Canada and our recent acquisition of Cost-U-Less, Inc. (CUL), a chain of mid-size warehouse format stores serving the South Pacific and the Caribbean.

North West delivers its products and services through the following retail banners and wholesale businesses in two reporting segments:

Canadian Operations

- **127 Northern** stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **29 Giant Tiger** junior discount stores offering family fashion, household products and food to urban neighbourhoods, and larger rural centres in western Canada;
- **7 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services;

- **11 Quickstop** convenience stores, offering ready-to-eat foods, petroleum products and related services;
- **1 Valu Lots** clearance center;
- **1 Solo Market** test store targeted at smaller, rural markets;
- **Crescent Multi Foods (CMF)**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- **2 North West Company Fur Marketing** outlets, trading in wild furs and offering Aboriginal handicrafts and authentic Canadian heritage products; and
- **The Inuit Art Marketing Service**, Canada's largest distributor of Inuit art.

International Operations

- **28 AC Value Centers**, stores similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- **3 Quickstop** convenience stores;
- **Pacific Alaska Wholesale** (formerly **Frontier Expeditors** and **SPAN Alaska**), a leading distributor to independent grocery stores in rural Alaska; and
- **12 Cost-U-Less (CUL)**, mid-size warehouse stores offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean.

VISION

At North West our vision is to be a leading community retailer within smaller, underserved and less developed markets. For our customers we want to be a trusted local store that enhances their quality of life by being more accessible, more flexible, friendlier and lower cost. For our investors we want to deliver superior, top-quartile returns, over the long term.

VALUES

The way we work at North West is shaped by six core values: Customer Driven, Enterprising, Passion, Accountability, Trust and Personal Balance.

Customer Driven is our practice of always looking through the eyes of our customers while recognizing our stores' unique role as a supportive community citizen.

Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new store formats, products, services and processes.

Passion refers to our connection to our work, our role as a community store and our opportunity to do great things at North West.

Accountability is our management approach to getting work done through clear roles, tasks and resources.

Trust at North West means doing what you say you will do, with fairness, integrity and respect.

Personal Balance is our commitment to sustaining ourselves and our organization, so that we work effectively over the long term, in turn sustaining our 340 year record of service and performance.

STRATEGIES

The Company's long-range plans (LRP) are developed in five-year cycles and are reviewed and adjusted on an annual basis or as required at the senior management and board levels. 2009 is the start of a LRP cycle and will involve an in-depth assessment of North West's existing business segments and new business growth potential. Currently, North West's first strategic priority is to ensure that its existing retail store base continues to deliver stability and growth in earnings. Second, we apply our core strengths to take advantage of major new service, product and market opportunities.

Our retail business segments have produced consistent profit improvement for over 10 years. Food continues to be our focus measured by product development, selling skills, selling space and supply chain investment. Food market share and margin rates have increased through better sourcing, through more store-branded products that offer a value alternative to national brands and by building on our store-level capability with training, new technology and best practices. Our food growth strategy is complemented by opportunistically pursuing complimentary everyday products and services. This includes financial services, post offices, fuel and pharmacies. New store growth has been achieved through acquiring independent stores in northern Canada and Alaska, through Giant Tiger store expansion in western Canada and through our acquisition of Cost-U-Less, Inc. ("CUL") in late 2007.

Adapting to unique local lifestyles, cultures and selling opportunities better than our competition is a key strength and ongoing strategy for North West. Store development flexibility, store management selection and learning programs, store-level merchandise ordering, community relations and profit-sharing incentive plans are all ingredients of the model we have built to support this strategy. We believe that continued, efficient enhancement of our localization skills, is an essential component in meeting the customer needs within each market we serve.

Our food merchandising strategy for 2009 will focus on managing sales growth and margins through accelerated store brand development, fresh category execution, opportunity buys presented to us during the current recessionary environment and more emphasis on growing sales per customer on key selling days of each month. In general merchandise the priority is on profitability and productivity achieved through higher full margin selling rates in seasonal and trend categories and lower merchandise losses and damages. At store level we will continue to improve capability through investments in technology, improvements in work methods and by upgrading the skills of our store teams.

The breadth and size of our store network compared to our competition provides us with the resources, stability and knowledge to pursue expansion into related markets, products and services. Recent examples include our expansion into pharmacies, ready-to-eat foods and fuel outlets at our Northern and NorthMart stores, the roll-out of Giant Tiger stores in western Canada, the purchase of independent-owned stores in the north and the acquisition of CUL. We attempt to ensure that the risk/return profile of these ventures will be close to that of our existing store base. This requires looking at the long-term

potential of a new venture or major new product or service and the probability of achieving threshold returns on a sustainable, consistent basis. Across our new venture work we emphasize new ideas, clear principles, execution and the ability to track performance.

Our wholesaling expansion plans are focused on Frontier Expeditors ("FE") and Span Alaska Enterprises, Inc ("Span") now merged under the name Pacific Alaska Wholesale ("PAW") and the business-to-business segment of our CUL stores. In 2009 we will enhance their web-selling capabilities while continuing to achieve operating efficiencies from the combination of FE and Span into PAW.

KEY PERFORMANCE DRIVERS AND CAPABILITIES TO DELIVER RESULTS

The ability to protect and enhance the profitability of northern store locations. These stores in Alaska and northern Canada represent approximately 90% of our profitability. Although we expect this percentage to diminish over the next five years as we add more stores in new markets and grow our wholesale businesses, our existing northern markets will still be an important performance driver over this period.

Our distribution payout guideline ensures that we have adequate capital to sustain the competitiveness of our existing store base and to pursue growth opportunities. Our sustaining investments include capital investment in energy-efficient equipment, replacement stores and technology. Non-capital expenditures are centred on improvements to our in-store capabilities through more in-depth training programs and the ongoing implementation of "best practice" work processes. Sustaining our existing store performance of consistent growth also depends on continuing to enhance our food market share position. We measure and track our sales performance by sales per capita, unit volume growth, transaction size, private label penetration and net contribution by merchandise or service category after all activity-related costs.

The ability to be a leading, community store in every market we serve by tailoring our store formats, product/service mix, community support and store associate employment offer while still realizing the scale efficiencies of our size or the size of our alliance partners. This is our localization strategy. A broad range of products, services and store sizes, combined with flexible technology platforms and "best practice" work processes are all required to give us the ability to achieve this goal.

The ability to successfully add new stores. Our new store opening success depends on finding viable locations, willing sellers of independent stores or chains and being able to integrate and accelerate their full contribution potential. Other success factors include achieving product sourcing, operating and transportation cost advantages while building strong, entrepreneurial store teams.

Our ability to achieve best selling practices and build supportive community relations. Enhancing store capability is an ongoing priority that aligns with our goal of being as localized as possible. We continually invest in best practice work methods and we modify store processes to fully leverage our technology, specifically in the areas of communications, merchandise ordering, staff scheduling and training. In the short-term, amid higher job losses and job uncertainty in the broader market, management and staff recruitment is expected to be less challenging. Over the long-term we will continue to develop our employment value offer and recruiting ability as a competitive advantage. This recognizes the important role played by our store managers and other key store-level personnel and the reality that remoteness and other conditions of our markets creates challenges in attracting and keeping talented people. Related to this is our ongoing ability to develop local management and to foster positive community relationships especially within the indigenous markets we serve.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to order and sell merchandise. A key goal is to shift more staff time and skill towards ordering and selling merchandise tailored to the unique markets we serve while reducing costs in the non-selling facets of store work. Cost savings are continually targeted at labour scheduling, energy usage and product shrinkage. We have developed alliances with other non-competing retailers to provide sales and distribution services for certain products and services where we do not have the scale to achieve a lower cost structure on our own. For example, under our alliance with Dufresne Furniture and Appliances of Winnipeg, Dufresne manages product assortment, marketing and distribution for the furniture and appliance categories in our Northern and NorthMart store banners. This has given us access to expertise and buying power and has allowed us to reduce inventories. Our new store banners and recent acquisitions have further enabled us to achieve cost efficiencies in direct importing, freight consolidation and general administration expenses while enabling us to share our specialized retail knowledge and ideas among our retail, wholesale and support service groups.

CHANGES DURING YEAR

Business acquisition On March 3, 2008, the Fund acquired, through its U.S. subsidiary, Span Alaska Enterprises, Inc. (Span), a food and general merchandise distributor serving independent grocery stores in rural Alaska. On December 13, 2007, the Fund acquired through its U.S. subsidiary all of the issued and outstanding shares of Cost-U-Less, Inc. (CUL), a leading operator of 12 mid-size warehouse stores in remote island communities in the South Pacific and the Caribbean. The results of operations for Span and CUL are included in the consolidated financial statements of the Fund from their respective acquisition dates.

Reorganization When the North West Company Fund was established in 1997, it invested in the operating company, The North West Company Inc., in the form of loans and preferred shares. Interest on the loans paid to the Fund reduced the taxable earnings of the operating company to a nominal level. As the earnings in the operating company increased, the preferred shares were converted to loans which increased the amount of interest paid to the Fund. In the past few years the earnings in the operating company exceeded the interest paid to the Fund and therefore the increases in earnings were fully taxable. On April 30, 2006, the Company completed the first step of the reorganization whereby the majority of the Canadian business assets were transferred to a limited partnership (LP). As a result of the limited partnership structure, most of the earnings growth over the 2005 levels flowed to the Fund on a more tax-efficient basis than in prior years.

On June 5, 2007, the Company completed the second step of its reorganization. The second step of the reorganization changed the flow of the earnings from the limited partnership to the Fund and in 2008 this resulted in most of the Canadian pre-tax earnings flowing to the Fund.

Change in fiscal year In 2006, the Fund adopted a fixed fiscal year end of January 31 compared to the last Saturday in January used in prior years. The year ended January 31, 2009 ("2008") has 366 days of operations compared to 365 days of operations for the year ended January 31, 2008 ("2007") and 368 days of operations for the year ended January 31, 2007 ("2006"). All references to 2006 same store sales in the Management's Discussion & Analysis have been reported on an equivalent year basis.

Consolidated Results

2008 Highlights

- Sales increased 30.8% to \$1.393 billion, led by acquisition-related growth and same store food sales growth of 6.1%.
- Trading profit increased 14.7% to \$122.3 million our ninth consecutive year of growth.
- Return on equity improved to 28.6%, as a result of earnings growth, increased leverage and low borrowing costs.
- Total returns to unitholders, although negative at 5.2%, compared favourably to other total market return indices.
- On March 3, 2008 the Fund acquired Span Alaska Enterprises, Inc., a leading distributor of food and general merchandise to independent grocery stores in rural Alaska.
- The Company substantially completed the integration of CUL which will generate annualized savings of over \$3 million.

2008 CORPORATE STRATEGIC INITIATIVES

Initiative #1

Build leadership capabilities

Result

Leadership practices were introduced to senior and director-level managers at North West through a series of interactive meetings and follow-up coaching sessions. The focus in 2008 was on accountability, building trust, performance management, being customer driven, planning and personal balance. The sessions were highly rated by participants and created a solid platform for continuing this work into 2009.

Initiative #2

Business planning

Result

A planning framework was developed at the Board level to better define the Board of Trustees role related to strategy at North West. A new framework was also developed for short-term, medium-term and long-term planning, with an emphasis on creating a more robust, effective annual planning process for the 2009 operating plan.

Initiative #3

Energy conservation programs

Result

Energy efficient lighting initiatives were implemented in the northern Canada stores and heat reclaim initiatives were tested in three stores. The results indicate that these initiatives should be expanded to all northern stores in Canada and Alaska that generate an acceptable cost payback. New lighting will also be installed in CUL stores in 2009.

Some of the key performance indicators used by management to assess results are summarized in the following table:

Key Performance Indicators

(\$ in thousands, except per unit)	2008	2007	2006
Sales	\$ 1,392,634	\$ 1,064,490	\$ 944,924
Same store sales % increase ¹	2.7%	6.7%	5.8%
Trading profit ²	\$ 122,257	\$ 106,557	\$ 96,369
Net earnings	\$ 75,378	\$ 62,991	\$ 53,660
Net earnings per unit—basic ³	\$ 1.58	\$ 1.32	\$ 1.13
Net earnings per unit—diluted ³	\$ 1.56	\$ 1.31	\$ 1.12
Cash distributions in the year ³	\$ 1.40	\$ 1.13	\$ 0.80
Total assets	\$ 609,173	\$ 529,670	\$ 441,869
Return on net assets ⁴	19.8%	21.0%	19.7%
Return on average equity	28.6%	24.9%	21.7%

1 Same store sales excluding the foreign exchange impact

2 See Non-GAAP measures section on page 22

3 Per unit information has been restated to reflect the September 20, 2006 three-for-one unit split

4 Earnings before interest and income taxes as a percentage of average net assets employed

Consolidated Sales

Sales for the year ending January 31, 2009 ("2008") increased 30.8% to \$1.393 billion compared to \$1.064 billion for the year ending January 31, 2008 ("2007") and were up 28.6% excluding the foreign exchange impact. On a same store basis, sales increased 3.2% and were up 2.7% excluding the foreign exchange impact.

Food sales increased 39.1% over 2007 as a result of new stores and strong same store sales growth across all banners. Same store food sales excluding the foreign exchange impact increased 6.1% over last year with quarterly same store increases of 5.2%, 6.0%, 7.8%, and 5.2%. Canadian food sales increased 8.8% and International food sales were up 135.2% excluding the foreign exchange impact.

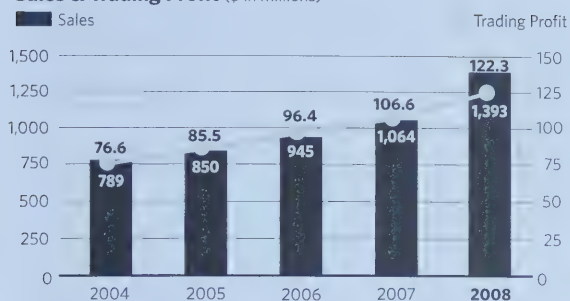
General merchandise sales increased 11.6% over 2007 as a result of new stores. Same store general merchandise sales excluding the foreign exchange impact decreased by 6.4% with quarterly same store sales increase of 3.1% in the first quarter and quarterly decreases of 1.1%, 0.1% and 19.6% for the remainder of the year. The decrease in general merchandise same store sales, particularly in the fourth quarter, is primarily due to the impact of the Canadian Indian Residential School Settlement Act (IRSSA) payments received in the fourth quarter of 2007 and first quarter of 2008 and the timing of the Alaska Permanent Fund Dividend (PFD) which was paid to residents in the third quarter of 2008 compared to the fourth quarter of 2007.

Other revenue which includes gas, fur and service charge revenue increased 10.4% over 2007 largely due to higher gas prices.

Canadian sales accounted for 64.6% of total sales (80.1% in 2007) while International contributed 35.4% (19.9% in 2007). The Canadian dollar's depreciation versus the U.S. dollar in 2007 affected results as follows:

Sales	increase of \$11.4 million or 1.1%
Trading profit	increase of \$732,000
Net earnings	increase of \$315,000

Sales & Trading Profit (\$ in millions)



Cost of sales, selling and administrative Cost of sales, selling and administrative expenses (expenses) increased 32.6% to \$1.270 billion and increased 123 basis points as a percentage of sales compared to last year. New and non-comparable store expenses accounted for substantially all of the dollar increase. The increase in the expense as a percentage to sales is largely due to CUL's lower discount margin structure. On a comparable store basis, expenses increased \$32.5 million but decreased 25 basis points as a percentage of sales. Higher freight and energy-related costs in our stores and new long-term incentive plans contributed to the increase in expenses. The increase in expenses was partially offset by staff productivity gains in our stores, income earned from financial services and revenues generated from other services offered to our customers.

During the year, the Trustees approved a two year renewal of loans granted to senior management under the unit purchase loan plan (UPLP) as part of the transition away from the UPLP to a new share unit-based long-term incentive (LTI) plans for officers and senior management. The UPLP, although cost-effective, will wind-up in late 2010, reflecting general investor sentiment against share or unit loan arrangements. The new LTI plans are designed to continue to enhance the Company's ability to attract and retain employees and are more aligned with current compensation practices because they award notional units of the Fund instead of granting loans however, they are more expensive. The incremental LTI expense was \$1.9 million for 2008 and an additional annualized expense of approximately \$1.3 million is expected to be incurred in 2009 depending on the Fund's unit price and the achievement of financial targets established by the Trustees. Further information on security-based compensation is provided in Note 18 to the consolidated financial statements.

Amortization Amortization expense increased \$5.1 million or 18.9% to \$32.1 million from 2007. The increase is largely due to amortization on new stores.

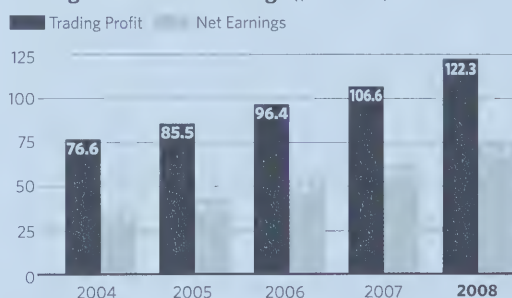
Interest expense Interest expense increased 11.3% to \$8.3 million compared to \$7.5 million last year. The increase in interest expense was due to higher average debt levels compared to last year due in part to additional borrowings to fund the CUL acquisition. The interest expense resulting from higher average debt levels was partially offset by lower interest rates during the year. The average cost of borrowing on interest-bearing debt was 4.3% compared to 5.9% in 2007.

Income tax expense The provision for income taxes decreased 28.8% to \$6.5 million compared to \$9.2 million in 2007, for an effective tax rate of 8.0% in 2008 compared to 12.7% in 2007. The decrease in the effective tax rate is largely due to the full year impact of the internal reorganization completed on June 5, 2007. The reorganization changes the flow of earnings from the limited partnership to the Fund such that the majority of the Canadian operations pre-tax earnings now flow to the Fund. The reduction in income tax expense as a result of the reorganization of the Canadian operations was partially offset by an increase in income tax in our International operations due to higher earnings.

In the ordinary course of business, the Company is subject to ongoing audits by taxation authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the taxation authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

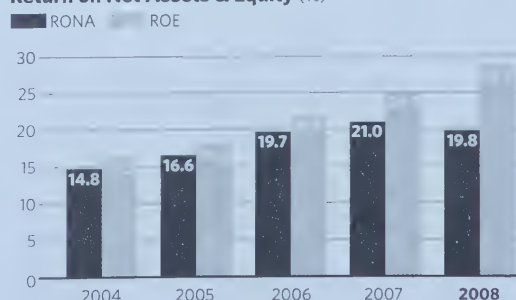
A more detailed explanation of the income tax provision and future tax assets is provided in Note 13 to the consolidated financial statements.

Trading Profit & Net Earnings (\$ in millions)



Net earnings Consolidated net earnings increased 19.7% to \$75.4 million or \$1.56 per unit on a diluted basis compared to \$1.31 per unit in 2007. Return on net assets employed decreased to 19.8% from 21.0% in 2007 while return on equity improved to 28.6% from 24.9% in 2007. Return on equity improved due to improved same store earnings, earnings from acquisitions financed by debt and lower debt costs. Return on net assets decreased due to the relative first-year performance of the Span and CUL acquisitions compared to our Alaska operations.

Return on Net Assets & Equity (%)



Canadian Operations

2008 CANADIAN OPERATIONS STRATEGIC INITIATIVES

Initiative #1

Improve Giant Tiger food offering

Result

First half initiatives included adjustments to sharpen advertised pricing, opportunity buys, ethnic foods and store brands. This helped produce targeted same store sales and margins by the fourth quarter.

Initiative #2

Continue the development of store selling and control capability in the Northern Canada Retail division

Result

Good progress was made in 2008 in the roll-out of the store capability initiatives. Store and region specific action plans with objectives and key performance indicators were implemented together with an easier monitoring program. Targets were met in the store controllable operating expense initiatives but fell short of target in the inventory shrink initiatives.

Initiative #3

Improve general merchandise productivity

Result

The major component of this initiative was inventory reduction. The target was to reduce the average monthly inventory by \$7.0 million at cost or 22%. Average general merchandise inventory was reduced by \$5.0 million or 16%. Markdowns decreased due to more current inventory which contributed to a 242 basis point improvement in gross profit rate.

Initiative #4

Open three stores

Result

Three Giant Tiger stores were opened as planned and two Northern format stores and a Quickstop convenience store were also opened during the year.

Initiative #5

Warehouse efficiency improvements

Result

Two initiatives were part of planned improvements. Warehouse processing and shipping schedules were realigned which are expected to achieve annualized savings of \$1.0 million. A partial reconfiguration of the Winnipeg facility was completed in 2009 Q1 which is projected to provide additional savings.

Initiative #6

Financial Services expansion

Result

Expansion of the pre-paid "Link" branded card programs generated targeted revenue increases. A streamlined in-house version of our "Link" personal income tax service met expectations and is well positioned to support an increase in the number of tax returns to be processed in 2009.

Financial Performance Results of Canadian operations are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

(\$ in thousands)	2008	2007	2006
Sales	\$ 899,263	\$ 852,773	\$ 769,633
Same store sales % increase	1.9%	6.9%	5.9%
Trading profit ¹	\$ 90,606	\$ 87,410	\$ 81,730
EBIT ¹	\$ 66,105	\$ 64,776	\$ 59,482
Return on net assets ²	20.9%	20.8%	20.2%

1 See Non-GAAP measures section on page 22

2 2006 Return on net assets is 19.8% excluding the impact of the four additional days of operations

Sales Canadian sales increased 5.5% to \$899.3 million compared to \$852.8 million in 2007 and were up 16.8% or \$129.6 million compared to 2006. Same store sales increased 1.9% compared to a 6.9% increase in 2007. Canadian food sales accounted for 69.6% (67.5% in 2007) of total sales. The balance was made up of general merchandise sales at 25.9% (28.2% in 2007) and other sales, which consists primarily of fuel sales and service charge revenue at 4.5% (4.3% in 2007).

Food sales increased by 8.8% over 2007 and were up 19.4% compared to 2006. On a quarterly basis, same store food sales increased 5.0%, 6.0%, 7.4% and 4.9%. On an annual basis, same store food sales increased 5.8% compared to 6.8% in 2007. Food sales increased in all categories with grocery, beverages, meats, chilled foods and tobacco contributing the largest gains. The development of new private-label products, opportunity buy items and our focus on convenience, ready-to-eat products also contributed to the increase in food sales as customer shopping trends continue to move toward more value-priced products. Inflation, driven by product cost increases and higher fuel-related transportation costs was approximately 4%.

General merchandise sales decreased 3.0% from 2007 but were up 11.3% compared to 2006. Same store sales decreased 7.8% compared to an increase of 7.3% in 2007. Quarterly same store sales were up 2.8% in the first quarter but decreased 1.4%, 5.8% and 19.8% in the last three quarters. The decrease in general merchandise sales is largely due to the impact of higher discretionary spending related to the Indian Residential School Settlement Act payments which contributed to a 22.0% sales increase (17.0% increase on a same store basis) in the fourth quarter last year. Sales were impacted the most in the durable, big-ticket categories of transportation, home furnishings and electronics. The discontinuance of our *Selections* catalogue at the end of last year also contributed to the decrease in general merchandise sales.

Other revenues, which include gas, fur and service charge revenues, were up 8.3% over 2007 and increased 12.3% over 2006. The increase in other revenues is primarily due to gas price inflation.

Sales Blend The table below shows the sales blend for the Canadian operations over the past three years:

	2008	2007	2006
Food	69.6%	67.5%	68.2%
General merchandise	25.9%	28.2%	27.2%
Other	4.5%	4.3%	4.6%

Same Store Sales The Canadian operations have consistently achieved industry-leading same store food sales reflecting the Company's local market position as an everyday product and service provider amid generally robust consumer spending on these categories. Same store general merchandise sales have been more volatile and have depended on capturing sales from increases in discretionary income. Same store sales for the past three years are shown in the following table:

Same Store Sales

(% change)	2008	2007	2006
Food	5.8%	6.8%	7.3%
General merchandise	(7.8%)	7.3%	2.5%
Total sales	1.9%	6.9%	5.9%

Canadian sales per selling square foot after adjusting for new stores were \$656 compared to \$631 in 2007.

Profitability Gross profit dollars for Canadian operations increased by 3.9% as sales growth more than offset a 46 basis point decrease in gross profit rates. The decrease in the gross profit rate was largely due to higher sales growth in low margin food categories, higher fuel-related freight costs, the impact of supplier cost increases and market-driven price reductions in staple food categories. Partially offsetting the decrease in food gross profit rates was higher general merchandise gross profit rates resulting from an improved blend of higher margin apparel sales and lower markdown rates due to improved inventory productivity in the first three quarters of the year. Operating expenses were up 4.5% over 2007 but were down 20 basis points as a percentage of sales compared to last year. New stores accounted for approximately 67% of the increase in operating expenses. Higher utility and energy-related cost pressures in remote markets contributed to the increase in operating expenses but were partially offset by higher revenues from financial services and staff productivity. Trading profit from Canadian operations increased \$3.2 million or 3.7% to \$90.6 million and was 10.1% as a percentage of sales compared to 10.3% in 2007.

Operational Net Assets Employed Operational net assets employed at January 31, 2009, increased 9.2% to \$306.5 million compared to \$280.6 million at January 31, 2008 as summarized in the following table:

Operational Net Assets Employed

(\$ millions at the end of the fiscal year)	2008	2007	2006
Property and equipment	\$ 173.9	\$ 160.4	\$ 150.9
Inventory	120.1	113.2	106.2
Accounts receivable	57.5	55.8	60.6
Other assets	34.7	23.5	27.8
Liabilities	(79.7)	(72.3)	(67.3)
Total	\$ 306.5	\$ 280.6	\$ 278.2

Property and equipment balances increased reflecting the opening of five new stores, the replacement of two stores in existing markets, store renovation projects, system upgrades and a major head office renovation project.

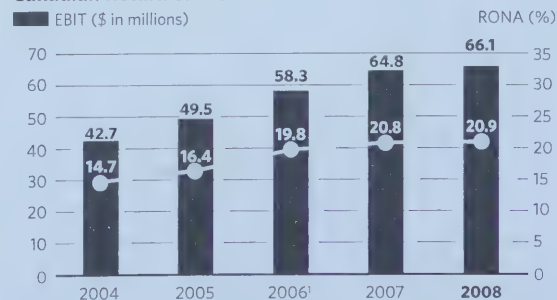
Inventory increased from the prior year due to new stores and planned higher food inventory levels in stores serviced by sea and winter road to take advantage of lower freight rates compared to air freight. Inventory productivity, particularly general merchandise inventory, will continue to be a focus in 2009 through open-to-buy technology and improved assortment planning.

Accounts receivable averaged \$2.5 million lower than last year, our third consecutive year of improving accounts receivable productivity. From 2005 to 2008, average accounts receivable have decreased \$5.2 million. The decrease is due to a higher volume of cash sales, larger cash down payments on big-ticket purchases and ongoing collection efforts.

Other assets increased largely due to higher cash balances due to the timing of deposits in transit and a decrease in outstanding cheques related to the timing of payments of trade payables. The increase in liabilities over the prior year is due to higher trade accounts payable and an increase in accrued expenses from the prior year.

Return on Net Assets The return on net assets employed for Canadian operations was 20.9% compared to 20.8% in 2007. The 2.1% increase in EBIT from the prior year was the primary reason for the improvement in return on net assets.

Canadian Return on Net Assets



¹ EBIT and Return on net assets on an equivalent year basis

International Operations

(Stated in U.S. dollars)

International operations include Alaska Commercial Company (AC), Cost-U-Less, Inc. (CUL) which was acquired on December 13, 2007 and Span Alaska Enterprises, Inc. (Span) acquired on March 3, 2008. AC, CUL and Span were merged into The North West Company (International) Inc. on December 31, 2008.

2008 INTERNATIONAL OPERATIONS STRATEGIC INITIATIVES

Initiative #1

Cost-U-Less integration

Result

Financial, human resource, store support and related administration integration was completed as scheduled. The integration of merchandising systems was delayed until mid-2009 due to the complexity of adding required functionality to existing NWF systems. The new functionality is important to the operations of CUL and will be extended to the other banners over the next eighteen months.

Initiative #2

Optimization of food purchasing costs

Result

The transition to a new food wholesaler was completed in 2007. The objective in 2008 was to provide additional training to our store management to improve their purchasing practices to enable AC stores to reduce their purchase cost. This initiative contributed to an 86 basis point improvement to food gross profit.

Initiative #3

Best Practice training

Result

This initiative was reduced in scope for 2006 due to the extent of work on the CUL acquisition. The first two graduates of the small store Manager-in-Training program were promoted to store managers in the fourth quarter of 2008. The front-end manager training was also completed in five of the eight large stores in the fourth quarter. Additional training resources have been allocated for 2009

Initiative #4

Wholesale integration

Result

Management integration was achieved in 2008. Branding, sales, systems and distribution integration is planned for 2009, reflecting the prioritization of resources on the CUL integration and the time required to finalize logistics planning work in each of these areas. The targeted efficiencies for 2008 were realized.

Financial Performance International operations results for the year are summarized below by the key performance indicators.

Key Performance Indicators

(\$ in thousands)	2008	2007	2006
Sales	\$ 454,636	\$ 199,714	\$ 154,237
Same store sales % increase	6.9%	5.6%	4.8%
Trading profit ¹	\$ 29,165	\$ 18,062	\$ 12,881
EBIT ¹	\$ 22,205	\$ 13,991	\$ 9,428
Return on net assets ²	17.2%	21.7%	17.1%

1 See Non-GAAP measures section on page 22

2 2006 Return on net assets is 19.2% excluding the impact of the \$1.4 million IRS housing benefit assessment and the impact of the four additional days of operations

Sales International sales increased 127.6% to \$454.6 million compared to \$199.7 million in 2007 and were up 194.8% or \$300.4 million compared to 2006 largely due to the acquisition of CUL on December 13, 2007 and Span on March 3, 2008. Same store sales increased 6.9% compared to a 5.6% increase in 2007. Food sales accounted for 83.6% (80.9% in 2007) of total sales with the balance comprised of general merchandise at 15.5% (17.6% in 2007) and other sales, which consists primarily of fuel sales and service charge revenues, at 0.9% (1.5% in 2007).

Food sales increased 135.2% over 2007 and were up 203.1% compared to 2006 primarily due to new stores. Same store food sales were up 7.3% compared to a 4.8% increase in 2007. Food sales remained strong throughout the year with quarterly same store sales increases of 6.4%, 5.8%, 10.0%, and 6.3%. All categories contributed to the increase in food sales with grocery, beverages, snack foods, chilled foods, and non-food categories providing the largest gains over the prior year. Stronger promotions of national brand products, improved merchandise display practices and increased sales from private-label products were also factors.

General merchandise sales increased 101.1% over 2007 and were up 161.6% over 2006 largely due to new stores. On an annual basis, general merchandise same store sales were up 5.1% compared to 8.8% in 2007. General merchandise sales benefited from the Permanent Fund Dividend (PFD) in Alaska which was \$3,269 compared to \$1,654 in 2007. For the first three quarters, same store sales increased 5.9%, 0.9% and 43.3% respectively but were down 18.5% in the fourth quarter. In the second half of the year, quarterly same store sales were impacted by the timing of the PFD which was paid to residents of Alaska in the third quarter this year compared to the fourth quarter in 2007. Overall, same store general merchandise sales in the second half of 2008 achieved an increase of 5.3%. Apparel and transportation categories contributed the largest gains over the prior year.

Other revenues, which consist of gas and service charge revenue were up 31.8% over 2007 due to gas price inflation.

Sales Blend The table below reflects the importance of food sales to the total sales of the International operations:

	2008	2007	2006
Food	83.6%	80.9%	81.3%
General merchandise	15.5%	17.6%	17.5%
Other	0.9%	1.5%	1.2%

Same store sales for the past three years are shown in the following table:

Same Store Sales

(% change)	2008	2007	2006
Food	7.3%	4.8%	4.9%
General merchandise	5.1%	8.8%	4.3%
Total sales	6.9%	5.6%	4.8%

International sales per selling square foot after adjusting for new stores was \$675 compared to \$570 in 2007.

Profitability Gross profit dollars increased 81.8% from 2007 driven by new business sales growth contributed by CUL and Span. Gross profit rates were down 636 basis points from last year largely due to the lower gross profit structure at CUL and Span. Operating expenses increased 88.6% over last year but were down 411 basis points as a percent of sales as a result of the CUL and Span acquisitions. On a comparable basis, operating expenses increased 8.1% largely due to higher energy-related occupancy expenses during the year and a non-comparable \$600,000 gain on the disposition of shares in a cooperative wholesale distributor included in operating expenses last year. Trading profit increased 61.5% to \$29.2 million compared to \$18.1 million in 2007 and as a percentage to sales was 6.4% compared to 9.0% in 2007. Excluding the CUL and Span acquisitions and the non-comparable gain in 2007, trading profit increased 1.7% and as a rate of sales was 9.4% compared to 9.7% in 2007.

International EBIT & Trading Profit Margins (% of sales)



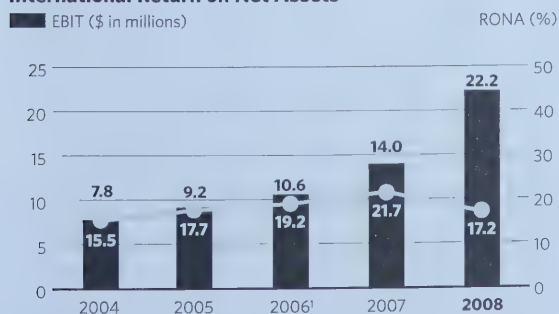
1 Equivalent year basis excluding \$1.4 million IRS housing benefit assessment

Operational Net Assets Employed

(\$ millions at the end of the fiscal year)	2008	2007	2006
Property and equipment	\$ 60.7	\$ 62.8	\$ 32.8
Inventory	49.9	49.2	18.9
Accounts receivable	8.9	6.9	7.3
Other assets	14.8	12.8	4.3
Liabilities	(30.2)	(37.0)	(8.8)
Total	\$ 104.1	\$ 94.7	\$ 54.5

International operational net assets employed increased \$9.4 million or 9.9% from 2007 due largely to the acquisition of Span (see Note 21 to the consolidated financial statements).

International Return on Net Assets



1 Equivalent year basis excluding \$1.4 million IRS housing benefit assessment

Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

(\$ in thousands fiscal year)	2008	2007	Change
Cash flows from (used in):			
Operating activities	\$ 90,178	\$ 93,591	\$ (3,413)
Investing activities	\$ (49,435)	\$ (98,118)	\$ 48,683
Financing activities	\$ (36,745)	\$ 1,116	\$ (37,861)

Cash from operating activities Cash flow from operating activities decreased \$3.4 million to \$90.2 million from \$93.6 million in 2007. Changes in non-cash working capital negatively impacted cash flow from operating activities by \$14.5 million compared to an increase in cash flow of \$742,000 in 2007. The change in non-cash working capital is largely due to an increase in accounts receivable and inventories as noted in the Canadian and International operational net assets employed on pages 9 and 11 respectively.

Cash used in investing activities Net cash used in investing activities was \$49.4 million in 2008 compared to \$98.1 million in 2007. Net investing in Canadian operations was \$36.0 million (\$36.8 million in 2007). Net investing in International operations was \$13.4 million including the \$7.7 million acquisition of Span compared to \$61.3 million in 2007 which included the \$54.3 million acquisition of CUL.

Capital expenditures in Canadian operations included five new stores, the replacement of two stores in existing markets, the opening of gas bars and pharmacies, store renovations, equipment replacements, and investments in technology and support facilities. In addition to the Span acquisition, capital expenditures in International operations included store renovations and equipment replacements.

The following table summarizes the number of stores and selling square footage under NWC's various retail banners at the end of the fiscal year:

	Number of Stores		Selling square footage	
	2008	2007	2008	2007
Northern	127	130	718,690	757,370
NorthMart	7	6	152,141	144,501
Quickstop	14	13	24,463	23,176
Giant Tiger	29	26	479,660	428,478
AC Value Centers	28	29	279,333	300,876
Cost-U-Less	12	12	379,416	379,416
Other Formats	4	4	29,611	24,123
Total at year end	221	220	2,063,314	2,057,940

A Northern store in Hay River was converted to the NorthMart banner, one store was reclassified to Other Formats and two stores were opened under the Northern banner in Akulivik, Northwest Territories and Peawanuck, Ontario. Northern stores were closed in Easterville, Manitoba and Hearst and Hornepayne, Ontario. A new Quickstop convenience store was opened in Iqaluit, Nunavut. New Giant Tiger stores were opened

in Winnipeg, Manitoba and Ft. Saskatchewan and Edmonton, Alberta. A Fur Marketing outlet in Grande Prairie, Alberta included in Other Formats was closed. Total selling square feet in Canada increased to 1,395,661 from 1,368,277 in 2007.

International selling square feet decreased to 667,653 from 689,663 in 2007 due to the closure of the AC Value Center in Dutch Harbour, Alaska.

Net capital expenditures for 2009 are expected to be in the range of \$50 million (2008 - \$49.4 million) reflecting the opening and acquisition of new stores, store renovation and energy conservation projects, new gas bars, pharmacy openings and acquisitions, system upgrades and a major office renovation project.

Cash used in financing activities Cash used in financing activities was \$36.7 million compared to cash provided from financing activities of \$1.1 million in 2007. The increase in bank advances and short-term notes is due to additional borrowings in the International operations. In 2007, the Canadian bank advances and short-term notes were transferred to long-term debt as a result of the renegotiation of the credit lines from a demand facility to a committed facility. Long-term debt, net of repayments, increased \$29.4 million compared to an increase of \$76.8 million in 2007. The Fund paid distributions of \$67.7 million or \$1.40 per unit, an increase of 23.9% compared to \$54.7 million or \$1.13 per unit last year. Repayments on loans under the Company's Unit Purchase Loan Plan were \$1.0 million compared to additional loans granted last year, net of repayments, of \$849,000. In 2007, the Fund paid a return of capital to unitholders of \$72,000 in connection with the internal reorganization of the Fund completed June 5, 2007.

Sources of liquidity The Canadian operation has available extendible, committed, revolving loan facilities of \$140.0 million that mature on December 31, 2011. These facilities, which are extendible at the request of the Company and subject to lender approval, are secured by a floating charge on the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at Bankers Acceptance rates plus stamping fees or the Canadian prime rate. At January 31, 2009 the Company had drawn \$90.0 million on these facilities.

The Company's International operation has available extendible, committed, non-revolving loan facilities of US\$52.0 million that mature on December 31, 2010. These facilities, which are extendible at the request of the Company and subject to lender approval, are secured by a floating charge against the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at London Interbank Offered Rate (LIBOR) plus stamping fees or the U.S. prime rate. At January 31, 2009, the Company had drawn US\$52.0 million on these facilities. The International operation also has available demand revolving loan facilities of US\$15.0 million (January 31, 2008 - US\$21 million) at interest rates of LIBOR plus spreads or U.S. prime minus spreads. These loans are secured by a floating charge against accounts receivable and inventories of the International operations. At January 31, 2009, the Company had US\$4.8 million in bank advances and short-term notes drawn on these facilities. During the year, a US\$6.0 million demand loan

facility that was assumed as part of the CUL acquisition was not renewed.

At January 31, 2009, the Company has senior notes outstanding of US\$39.0 million at an interest rate of 5.89% that mature on June 15, 2009. The Company is in the process of refinancing the senior notes as long-term debt. The global credit crisis has resulted in a reduction in the availability of credit and generally, an increase in interest costs and more restrictive covenants for Companies seeking to refinance debt. For further information on risks related to refinancing see liquidity risk in the risk management section on page 18.

The US\$39.0 million senior notes have been designated as a hedge against the U.S. dollar investment in the self-sustaining International operations. Of this amount, there is US\$30.0 million of the senior notes at a fixed interest rate of 5.89%. Interest on US\$9.0 million has been converted by an interest rate swap from fixed to floating rates at three-month London Interbank Offered Rate (LIBOR) plus 1.87%. For more information on the senior notes and financial instruments see Note 8 and Note 19 to the consolidated financial statements.

The coverage ratio of EBIT to interest improved to 10.9 times from 10.6 times in 2007. The coverage ratio improved due to the increase in EBIT.

Interest Costs and Coverage

	2008	2007	2006
Coverage ratio	10.9	10.6	10.3
EBIT (\$ in millions)	90.2	79.6	70.2
Interest (\$ in millions)	8.3	7.5	6.8

The bank credit facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At January 31, 2009, the Fund is in compliance with all covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

Contractual Obligations and Other Commitments

Contractual obligations of the Company are listed in the chart below:

(\$ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt (including capital lease obligations)	\$ 207,052	\$ 49,327	\$ 156,140	\$ 1,278	\$ 307
Operating leases	159,763	20,853	35,799	29,221	73,890
Total	\$ 366,815	\$ 70,180	\$ 191,939	\$ 30,499	\$ 74,197

Trustee, Director and Officer Indemnification Agreements

The Company has agreements with its current and former, trustees, directors and officers to indemnify them against charges, costs, expenses, amounts paid in settlement and damages incurred from any lawsuit or any judicial, administrative or investigative proceeding in which they are sued as a result of their service. Due to the nature of these agreements the

Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. The Company has also purchased trustees' directors' and officers' liability insurance. No amount has been recorded in the financial statements regarding these indemnification agreements.

Other Indemnification Agreements The Company provides indemnification agreements to counterparties for events such as intellectual property right infringement, loss or damage to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these agreements are based on the specific contract. The Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. No amount has been recorded in the financial statements regarding these agreements.

Cash flow from operations and unutilized credit available on existing credit facilities are expected to be sufficient to fund operating requirements, sustaining and growth-related capital expenditures as well as anticipated distributions during 2009.

The compound annual growth rate (CAGR) for cash flow from operations over the past 10 years is 7.4% as shown in the following graph:

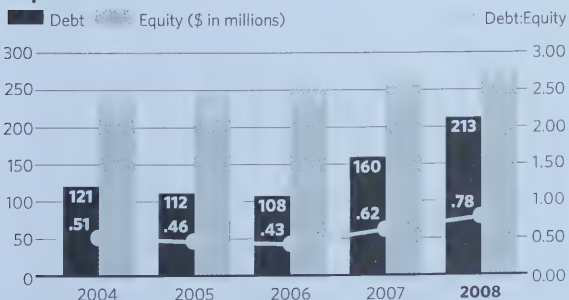


¹ See Non-GAAP measures section on page 22

Capital Structure

On a consolidated basis, NWF had \$213.0 million in debt and \$274.4 million in equity at the end of the year and a debt-to-equity ratio of .78:1 compared to .62:1 last year. The increase in the debt-to-equity ratio from last year is due in part to the weakening Canadian dollar and the impact on the translation of US denominated debt.

Capital Structure



The strength of the Fund's capital structure is reflected in the preceding chart. Over the past five years, the Fund's debt-to-equity ratio has ranged from .43:1 to .78:1 while annual cash distributions to unitholders have increased to \$1.40 from \$0.60 over the same period. Equity has increased 16.1% to \$274.4 million over the past five years and interest-bearing debt has increased to \$213.0 million from \$120.9 million in 2004.

Over the past five years, loans made to officers and selected senior management under the unit purchase loan plan have increased from \$4.4 million in 2004 to \$11.3 million in 2008. These loans are long-term incentives that align management with investors with respect to the sustained yield and growth components of the Company's total-return performance. The loans are non-interest bearing and repayable from the after-tax distributions or if the officer sells the units or leaves the Company. The loans are secured by a pledge of 655,777 units of the Company with a quoted value at January 31, 2009 of \$10.6 million. Loans receivable at January 31, 2009 of \$11.3 million (\$12.3 million in 2007) are recorded as a reduction of equity. The maximum value of the loans under the plan is currently limited to \$15.0 million.

Consolidated debt at January 31, 2009 increased \$53.2 million or 33.3% to \$213.0 million compared to \$159.8 million in 2007 and was up 98.2% from \$107.5 million in 2006. The increase in debt is due in part to an increase in U.S. denominated debt and the impact of the weakening Canadian dollar on the translation of U.S. denominated debt. The Company's U.S. denominated debt that was not subject to cross-currency swaps increased to US\$99.3 million in 2008 from US\$44.0 million in 2006 largely due to the US\$52.0 million to fund the acquisition of Cost-U-Less, Inc. on December 13, 2007. The weakening Canadian dollar accounted for \$23.3 million of the increase in long-term debt from 2007. The debt outstanding at the end of the fiscal year is summarized as follows:

Debt

(\$ in thousands at the end of the fiscal year)	2008	2007	2006
Senior notes	\$ 48,411	\$ 57,292	\$ 84,780
Revolving loan facilities	90,031	41,919	—
Non-revolving loan facilities	64,293	52,114	—
Bank advances and short-term notes	5,974	4,336	21,581
Notes payable	1,799	1,726	—
Capital leases	2,518	2,446	1,142
Total	\$ 213,026	\$ 159,833	\$ 107,503

The Fund has an unlimited number of units authorized and had issued and outstanding units at January 31, 2009 of 48,378,000 (48,378,000 as at January 31, 2008). Further information on the Fund's capital is provided in Note 10 to the consolidated financial statements.

Book value per unit, on a diluted basis, at the end of the year increased to \$5.90 from \$5.55 in 2007. Book equity was positively impacted by an increase in retained earnings of \$9.9 million (\$7.3 million in 2007) after distributions of \$65.3 million (\$55.6 million in 2007).

Unitholder Distributions The Fund paid distributions of \$67.7 million or \$1.40 per unit an increase of 23.9% compared to \$54.7 million or \$1.13 per unit paid in 2007. The following table shows the quarterly cash distributions per unit paid for the past three years:

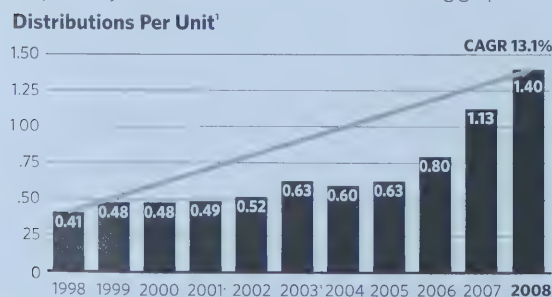
	2008	2007	2006 ¹
First Quarter	\$ 0.32	\$ 0.22	\$ 0.18
Second Quarter	0.32	0.27	0.18
Third Quarter	0.32	0.27	0.22
Fourth Quarter	0.32	0.27	0.22
Special	0.12	0.10	—
Total	\$ 1.40	\$ 1.13	\$ 0.80

1 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006

The determination to declare and make payable distributions from the Fund is subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. The Fund's distribution policy is to make distributions to unitholders equal to the taxable income of the Fund. Historically, distributions from the Fund represented taxable income and did not include a return of unitholder capital. Management believes distributions in 2009 will continue to represent taxable income.

In determining the quarterly distributions, the Trustees consider, among other factors, the seasonal variations in earnings inherent in the retail industry in order to maintain stable distributions throughout the year. On an annual basis, distributions are funded by cash flow from operations. Due to the seasonal nature of the retail business, whereby income and cash flow are historically lower in the first quarter and higher in the fourth quarter, distributions in a quarter may exceed cash flow from operations. The taxable income of the Fund is primarily based on an allocation of the taxable income of The North West Company LP less Fund expenses. In addition to the quarterly distributions, a special year-end distribution will be declared to unitholders if the taxable income of the Fund exceeds the cumulative distributions for the year. A special distribution of \$0.07 per unit was paid February 20, 2009 to unitholders of record on December 31, 2008 (\$0.12 per unit was paid February 22, 2008 to unitholders of record on December 31, 2007). Further information on distributions is included in Note 22 to the consolidated financial statements.

The compound annual growth rate (CAGR) for distributions over the past 10 years is 13.1% as shown in the following graph:



1 All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006

2 The Fund issued 4,305,000 additional units on a split adjusted basis

3 The Fund paid a special distribution of \$0.11 per unit on a split adjusted basis

QUARTERLY FINANCIAL INFORMATION

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting consumer holiday buying patterns. Weather conditions are often more extreme compared to other retailers and can affect sales in any quarter. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

The following is a summary of selected quarterly financial information.

(\$ thousands)	Q1	Q2	Q3	Q4	Total
Sales					
2008	\$ 315,468	\$ 342,358	\$ 359,081	\$ 375,727	\$ 1,392,634
2007	\$ 234,351	\$ 256,414	\$ 255,715	\$ 318,010	\$ 1,064,490
Trading profit					
2008	\$ 25,922	\$ 30,642	\$ 33,522	\$ 32,171	\$ 122,257
2007	\$ 21,602	\$ 25,985	\$ 27,454	\$ 31,516	\$ 106,557
Net earnings					
2008	\$ 15,235	\$ 18,434	\$ 22,065	\$ 19,644	\$ 75,378
2007	\$ 10,807	\$ 14,846	\$ 18,480	\$ 18,858	\$ 62,991
Earnings per unit—basic					
2008	\$ 0.32	\$ 0.39	\$ 0.46	\$ 0.41	\$ 1.58
2007	\$ 0.23	\$ 0.31	\$ 0.39	\$ 0.39	\$ 1.32
Earnings per unit—diluted					
2008	\$ 0.32	\$ 0.38	\$ 0.46	\$ 0.40	\$ 1.56
2007	\$ 0.23	\$ 0.30	\$ 0.39	\$ 0.39	\$ 1.31

Fourth Quarter Highlights Fourth quarter consolidated sales increased 18.1% to \$375.7 million compared to \$318.0 million in 2007 and were up 10.9% excluding the foreign exchange impact. On a same store basis, sales decreased 2.8% excluding the foreign exchange impact and were down 2.1% including the comparable increases from CUL stores open for more than one year. Food sales increased 21.9% and were up 5.2% on a same store basis excluding CUL and the foreign exchange impact. General merchandise sales decreased 11.6% and were down 19.6% on a same store basis excluding CUL and the foreign exchange impact. Sales from new stores, including the acquisition of CUL on December 13, 2007, the acquisition of Span on March 3, 2008, and strong same store food sales growth across all of our banners offset weaker general merchandise sales in the quarter. The decrease in general merchandise sales in the quarter is primarily due to the impact of the Canadian Indian Residential School Settlement Act (IRSSA) payments on discretionary spending in the fourth quarter last year and the timing of the Permanent Fund Dividend (PFD) which was paid to residents of Alaska in the third quarter this year compared to the fourth quarter last year.

Cost of sales, selling and administrative expenses increased 19.9% to \$343.6 million and increased 135 basis points as a percentage to sales compared to the fourth quarter of 2007.

New and non-comparable store expenses accounted for approximately 43% of the dollar increase. The increase in the expense as a percentage to sales is mostly due to the discount margin structure of CUL and new Giant Tiger stores opened over the past year. On a comparable store basis, cost of sales, selling and administrative expenses increased 119 basis points as a percentage to sales. Higher freight and energy-related costs in our remote stores, higher debt loss expense and lower staff productivity contributed to the dollar and percentage to sales increase. The increase in debt loss expense in the quarter compared to last year is largely due to debt loss recoveries in the fourth quarter last year, related to IRSSA and PFD income payments.

Trading profit or net earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 2.1% to \$32.2 million compared to \$31.5 million in the fourth quarter last year but was down 4.3% excluding the impact of CUL and Span. Trading profit growth from new stores offset higher staff costs, debt loss and energy-related expenses.

Amortization increased 13.8% to \$8.4 million largely due to depreciation on new stores including CUL. Interest expense decreased 26.9% to \$1.8 million as a result of lower interest rates in the quarter compared to last year. Income taxes decreased 17.4% to \$2.3 million. A decrease in future income tax expense in Canada was partially offset by an increase in International Operations income taxes due to higher earnings.

Net earnings increased \$786,000 or 4.2% to \$19.6 million. Diluted earnings per unit were up 2.6% to \$0.40 compared to \$0.39 last year.

Working capital decreased \$9.4 million compared to the fourth quarter last year primarily due to an increase in accounts payable and accrued liabilities and an increase in the current portion of long-term debt. Accounts payable and accrued liabilities increased from the prior year largely due to the impact of a weakening Canadian dollar on the translation of U.S. denominated accounts payable. New long-term incentive plans introduced during the year also contributed to the increase in accounts payable and accrued liabilities. The increase in the current portion of long-term debt is due to US\$39.0 million of senior notes which mature June 15, 2009. Partially offsetting the increase current liabilities is an increase in inventories due to new stores in Canada, weaker than expected general merchandise sales and planned higher food inventory balances to take advantage of lower water freight rates versus air freight. The impact of the weakening Canadian dollar on the translation of U.S. denominated inventories was also a factor.

Cash flow from operating activities for the quarter decreased \$7.2 million or 15.0% to \$40.9 million. The decrease in cash flow from operating activities is due to the change in non-cash working capital largely resulting from an increase in accounts receivable in the quarter. Cash flow from operations decreased \$3.3 million or 10.5% to \$27.9 million due primarily to the change in future tax assets in the quarter compared to last year.

Cash used for investing activities in the quarter decreased to \$16.9 million from \$68.3 million last year largely due to the acquisition of Cost-U-Less, Inc. in the fourth quarter last year.

Cash used for financing activities in the quarter was \$26.4 million compared to cash provided from financing activities of \$13.1 million last year. The Fund paid distributions of \$15.5 million, an increase of 18.5% compared to \$13.1 million last year. In the fourth quarter of 2007, the Company arranged for new bank loan facilities which have resulted in a decrease in bank advances and short-term notes and an increase in long-term debt.

DISCLOSURE CONTROLS

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on an evaluation of the Company's disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures operated effectively as of January 31, 2009 to provide reasonable assurance that the information to be disclosed is recorded, summarized and reported as required.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting. Based on an evaluation of the Company's internal controls over financial reporting, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the internal controls over financial reporting operated effectively as of January 31, 2009 to provide reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the internal controls over financial reporting during the year ended January 31, 2009 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

Food sales and margin performance should continue to provide a solid, defensive base for the Fund in 2009. In remote markets, lower energy-related freight costs will have a deflationary affect on sales but should not impact food margins. Lower energy prices in these markets should also provide relief to our customers and to store operating costs in the second half of the year, as existing oil supplies are replenished. Food sales from our discount banners are trending very positively as a weaker economy encourages shoppers to look for value.

First half general merchandise sales and, in particular, first quarter earnings will be challenged by weak discretionary spending compared to IRSSA-driven sales gains last year.

Targeted growth initiatives will continue in 2009 together with a greater emphasis on achieving distribution, inventory, energy and staff productivity gains within all of our business areas.

RISK MANAGEMENT

North West Company Fund is exposed to a number of risks in its business primarily relating to the industry, the economic environment and the successful execution of our key strategies. These risks and the actions taken to minimize the risks are described below. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Company's financial condition and performance. Risks affecting the Fund include, but are not limited to, the following:

Retail Industry and Economic Downturns External factors which affect customer demand, and over which the Company exercises no influence, include general economic growth, interest rates, personal debt levels, unemployment rates and levels of personal disposable income. In an economic downturn, discounting by major retailers may result in more out-shopping by consumers from the Company's markets which may negatively impact sales and gross profit. Although our core customer is a lower income shopper with relatively stable income sources, a recession or significant and prolonged decline in consumer spending could have an adverse effect on the financial condition and results of operations. Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Consumer Income Our largest customer segment derives most of its income directly or indirectly from government transfer payments in the form of social assistance, food stamps, child tax benefits and old age security. These tend to be stable sources of income, independent of economic cycles. A major source of employment income is generated from local government and spending on infrastructure projects. This includes new housing, schools, healthcare facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year to year depending on a community's fiscal health, especially near the

end of the government budget year. A similar fluctuating source of income is employment related to tourism and natural resource development and extraction activities. A significant or prolonged reduction in government transfers, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.

Competition We have a leading market position in a large percentage of the markets we serve. Sustaining and growing this position depends on our ability to continually identify and pursue new sales opportunities while defending our current positions through a superior value offer to our customers. We actively monitor competitive activity and we are proactive in adjusting and enhancing our value offer elements, ranging from in-stock position to service and pricing.

Community Relations Approximately 40% of our sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations, initiatives to recruit local residents into management positions, increase indigenous or Aboriginal participation in our Board of Trustees and direct investment in the North West Company Fund by locally-owned entities.

Store Capability Initiative This ongoing work involves programs to improve training and change the processes in our stores so we can better capitalize on local selling opportunities. The expected benefits are consistently strong operating standards, higher sales per capita in each market, increased efficiency and more rewarding and balanced work at the store level. Best Practices, in-depth new manager training, and advanced in-store systems are all directed at achieving these goals. The payback from this initiative will depend on our recruiting and retention success and our ability to effectively identify the right work and requisite training within a reasonable time period.

Employee Development and Retention Retaining and developing high calibre employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography and remoteness of the Company's markets, there is significant competition for talent and a limited number of experienced personnel, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies. In addition to compensation programs that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based

manager-in-training programs and the Company's in-depth leadership development program, "@Northwest". These types of programs are long-term, change management investments that continue to be refined.

Food Safety The Company is exposed to risks associated with food safety and product handling. Food sales represent approximately 75% of total Company sales. In the event of a significant outbreak of food-borne illness or increased public concerns with certain food products, such events could have an adverse effect on the financial condition and results of operations. The Company has food preparation, handling and storage procedures which help mitigate these risks however, the existence of these procedures does not eliminate these risks.

Energy Costs Compared to other retailers, the Company is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography of the store network, transportation costs are a significant component of the Company's expenses. The majority of stores are inaccessible by all-weather roads and as a result, stores are serviced by different modes of transportation including sealift, barge, trucks via winter roads, rail and air. In addition to transportation costs, heating costs also comprise a relatively large portion of the general overhead costs. To the extent that escalating fuel and utility costs cannot be offset by energy conservation practices or offsetting productivity gains, they may result in lower margins or higher retail prices. Consumer spending, especially on discretionary items, may also be adversely affected.

Income Taxes The Company accounts for income taxes using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax or liabilities are expected to be realized or settled. The provision for income taxes is recorded in the Company at applicable statutory rates.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund. On June 22, 2007, new legislation was passed (the "SIFT Rules") which imposes a new entity-level tax on distributions from certain specified investment flow-through entities ("SIFTs") such as the Fund commencing January 1, 2011. The application of the SIFT Rules is

delayed until January 1, 2011 provided the Fund is not considered to have undergone an "undue expansion" in the interim period. The SIFT Rules will result in a reduction in the cash available for distribution to unitholders by the amount of the tax paid or payable by the Fund and the distributions to unitholders will be characterized as dividends. In the event that "undue expansion" has occurred, the adverse tax consequences resulting from SIFT Rules could be realized sooner than January 1, 2011.

On March 12, 2009, the SIFT Tax rules were passed into legislation. This legislation specifies that the SIFT tax rate will be the federal general corporate income tax rate (which is anticipated to be 16.5 percent in 2011 and 15 percent in 2012) plus the provincial SIFT tax rate. The provincial SIFT tax rate is based on the general provincial corporate income tax rate in each province in which the Trust has a permanent establishment. For purposes of calculating this component of the tax, the general corporate taxable income allocation formula is used. Taxable distributions that are not allocated to any province would instead be subject to a 10% rate constituting the provincial component. The Fund expects to have an effective tax rate of approximately 30% in 2011, based on the application of the SIFT Rules.

Recent amendments to the SIFT Rules include rules (the "Conversion Rules") which facilitate the tax-deferred conversion of publicly-traded income trusts into publicly-traded corporations, provided that certain conditions set out therein are met, including that the conversion occur before 2013.

Management and the Board of Trustees has been reviewing the impact of the SIFT Rules and the related tax implications on the Fund. Our current assessment is that the Fund should remain structured as a trust until January 1, 2011 at which time the Conversion Rules will likely be relied on to convert back to a corporate structure.

Insurance The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage. Insurance is arranged with financially stable insurance companies as rated by the professional rating agencies. There is no guarantee that any given risk will be mitigated in all circumstances.

Climate Weather conditions can play a significant role in the operations of the stores of the Fund's operating subsidiaries. These can range from blizzards to hurricanes and cyclones and these can cause loss of life, damage to and destruction of key stores. Such losses may have an adverse effect on business, financial condition and results of operations. As well, any global warming conditions would have a more pronounced affect, both positive and negative, on the Fund's most northern latitude stores.

Information Technology The Company relies on information technology (IT) to support the current and future requirements of the business. IT systems are relied upon to provide essential information to management for decision making. Any significant failure or disruption in IT systems could have an adverse effect on the financial condition and results of operations.

Laws and Regulations The Company is subject to various laws and regulations administered by federal, provincial and foreign regulatory authorities, including but not limited to taxes, duties, currency repatriation, zoning, health and safety, employment standards and licensing requirements. These laws and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws and regulations could result in financial penalties, assessments, sanctions, or legal action that could have an adverse effect on the business, financial condition or results of operations.

Management of Inventory Success in the retail industry is dependent upon the ability to manage merchandise inventories in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others. Excess inventory may result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial condition and results of operations.

Ethical Business Conduct The Company has a Code of Conduct Policy with which employees and Trustees are required to acknowledge and confirm their compliance on a regular basis. The Business Ethics Committee monitors compliance with the Code of Conduct policy. The Company also has a Vendor Information Manual which outlines the Company's expectations for the ethical conduct of its vendors. Unethical business conduct could negatively impact the Company's reputation and relationship with its customers, investors, and employees which in turn could have an adverse effect on the financial condition and results of operations.

Geopolitical Changes in the domestic or international political environment may impact the Company's ability to source and provide products and services. Acts of terrorism, riots, and political instability could have an adverse effect on the financial condition and results of operations.

Employee Future Benefits The Company engages professional investment advisors to manage the assets in the defined benefit pension plans. The performance of the Company's pension plans and the plan funding requirements are impacted by the returns on plan assets, actuarial valuations and regulatory funding requirements. If the negative returns in capital markets experienced in 2008 and the first part of 2009 continue, the Company will be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse effect on the Company's financial

condition and results of operations. Recently passed changes to the pension funding regulations in Manitoba provide for extending the period over which pension deficits must be funded from five years to ten years subject to the approval of pension plan members. In accordance with these regulations, the Company has initiated the process to request the approval of the pension plan members to increase the funding period for pension deficits to ten years which will provide additional time for the capital markets to recover and bring the pension plan back to a fully funded status.

Financial Risks In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. These risks and the actions taken to minimize the risks are described below. See Note 19 to the consolidated financial statements for additional information on the Company's financial instruments and associated risks.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customers greater than 10% of total accounts receivable.

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2009, the Company has senior notes outstanding of US\$39.0 million that mature on June 15, 2009. The Company is in the process of refinancing the senior notes as long-term debt. The global credit crisis and the resulting decrease in the availability of credit may negatively affect the Company's ability to refinance its debt or meet its obligations as they come due. To the extent the Company cannot meet its obligations or refinance its debt when it comes due, or can do so only at an excessive cost, may have an adverse effect on the financial condition and results of operations. For further information on credit facilities see Note 7 and Note 8 to the consolidated financial statements.

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in self-sustaining International operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging U.S. denominated borrowings with cross currency interest rate swaps and hedging of a portion of the net investment in self-sustaining foreign operations with a portion of U.S. dollar denominated borrowings. The Company is also exposed to currency risk relating to the

translation of International operations earnings from U.S. dollars to Canadian dollars. The weakening Canadian dollar increased 2008 net earnings from International operations by \$315,000 when converted to Canadian funds.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by using a combination of interest rate swaps, a mixture of fixed and floating rates and cross-currency interest rate swaps.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on management's historical experience, knowledge of current events, expectations of future outcomes and other factors that management considers reasonable under the circumstances. Actual results could differ from these estimates as confirming events occur. The estimates and assumptions described in this section depend upon subjective or complex judgments about matters that may be uncertain and changes in these estimates and assumptions could materially impact the consolidated financial statements. The global credit crisis and increased volatility in equity, foreign currency and energy markets and declines in consumer confidence and spending have combined to increase the uncertainty inherent in such estimates and assumptions.

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to accounts receivable that may potentially be impaired. The allowance is based on the aging of the accounts receivable, our knowledge of our customers' financial condition, the current business environment and historical experience. A significant change in one or more of these factors could impact the estimated allowances for doubtful accounts recorded in the consolidated balance sheet and the provisions for debt loss recorded in the consolidated statement of earnings and retained earnings.

Valuation of Inventories Retail inventories are stated at the lower of cost and net realizable value. Significant estimation or judgment is required in the determination of: (1) discount factors used to convert inventory to cost after a physical count at retail has been completed; (2) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value; and (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date.

Food inventories counted at retail are converted to cost by applying a discount factor to retail selling prices. This discount

factor is calculated in relation to historical gross margins and is reviewed on a regular basis for reasonableness. General merchandise inventories counted at retail are converted to cost by applying average cost factors by merchandise category. These cost factors represent the average cost-to-retail ratio for each merchandise category based on beginning inventory and purchases made throughout the year.

Inventory shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory count to the balance sheet date. The estimate is based on experience and the most recent physical inventory results. To the extent that actual losses experienced vary from those estimated, both inventories and cost of sales may be impacted.

Changes or differences in these estimates may result in changes to inventories on the consolidated balance sheet and a charge or credit to cost of sales in the consolidated statement of earnings and retained earnings.

Employee Future Benefits The cost and accrued benefit plan obligations of the Company's defined benefit pension plans are accrued based on actuarial valuations which are dependent on assumptions determined by management. These assumptions include the discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets, the rate of compensation increase, retirement ages, and mortality rates. These assumptions are reviewed by management and the Company's actuaries.

The discount rate used to calculate benefit plan obligations, the expected long-term rate of return on plan assets and the rate of compensation increase are the three most significant assumptions. The discount rate used to calculate benefit plan obligations is based on market interest rates, as at the Company's measurement date of January 31, 2009 on a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the accrued benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2008 and 2007 were 7.0% and 6.0% respectively. The expected long-term rate of return on plan assets is based on historical returns, the asset mix and current investment yields. The expected long-term rate of return on plan assets for fiscal 2008 and 2007 is 6.5% and 7.0% respectively. Management assumed the rate of compensation increase for fiscal 2008 and 2007 at 4%.

These assumptions may change in the future and may result in material changes in the accrued employee future benefit asset on the Company's consolidated balance sheet and the benefit plan expense on the consolidated statement of earnings and retained earnings. The magnitude of any immediate impact, however, is mitigated by the fact that net actuarial gains and losses in excess of 10% of the greater of the accrued benefit plan obligations and the market value of the benefit plan assets are amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits under the plan. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's employee future benefits is provided in Note 16 of the consolidated financial statements.

Impairment of Long-lived Assets The Company periodically assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. In performing its review of recoverability, management estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows is less than the carrying value of the asset, an impairment loss would be recognized based on the excess of the carrying value of the asset over the fair market value calculated using discounted future cash flows. The underlying estimates for cash flows include estimates for future sales, gross margin rates and store expenses, and are based upon the stores' past and expected future performance. Changes which may impact future cash flows include, but are not limited to; competition, general economic conditions and unrecoverable increases in operating costs. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings and retained earnings.

Goodwill Goodwill is not amortized but is assessed for impairment at the reporting unit level at least annually. The potential for goodwill impairment is determined by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of the reporting unit exceeds its fair value, a more detailed goodwill impairment test must be undertaken. A goodwill impairment loss is recorded when the carrying value of goodwill exceeds the implied fair value of the reporting unit and is recognized as an expense in the period the impairment is determined. The process of determining fair value requires management to make estimates and assumptions including, but not limited to; future sales, gross profit rates, earnings, capital investment, discount rates, weighted average cost of capital and growth rates. These estimates and assumptions are subject to change in the future due to changes in competitive and economic market conditions or changes in business strategies. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheet and consolidated statement of earnings and retained earnings.

The Company performed the annual goodwill impairment test in 2008 and it was determined that the fair value of the reporting unit exceeded its carrying value and therefore, no goodwill impairment was identified.

Income Taxes Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes

requires management to make estimates and assumptions and to exercise a certain amount of judgment regarding the financial statement carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances. The future income tax assets and liabilities are also impacted by the interpretation of income tax legislation across various jurisdictions, expectations about future operating results and the timing of reversal of temporary differences, and possible audits of tax filings by the regulatory agencies.

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 13 to the consolidated financial statements.

Security-based Compensation Security-based compensation awards are measured and recognized using a fair value based method. Security-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as an expense over the vesting period. Determining the fair value of security-based compensation awards requires judgement regarding the estimation of the expected volatility of the Fund's units and the number of awards expected to be forfeited. The security-based compensation cost for awards that are dependent upon performance conditions is based on management's best estimates of the outcome of the performance conditions. To the extent that actual results differ from management's estimates, security-based compensation expense recorded on the Company's consolidated statement of earnings and retained earnings may be significantly impacted. Additional information on security-based compensation is provided in Note 18 to the consolidated financial statements.

ACCOUNTING STANDARDS IMPLEMENTED IN 2008

In 2008, the Company implemented the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Inventories As described in Note 2 of the consolidated financial statements, the CICA issued Section 3031, "Inventories" which is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3031 establishes new standards on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the cost to purchase and other costs incurred to bring the inventories to their present location. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of write-downs in the period.

The Company has adopted this new standard as of February 1, 2008 with the changes applied retroactively without restatement of comparative numbers in accordance with the transitional provisions. Upon adoption of this accounting standard, the Company recorded a decrease in opening retained earnings of \$119,000.

Goodwill and Intangible Assets

The requirements of Section 3064, Goodwill and Intangible Assets have been adopted and reflected in the Company's financial statements as at January 31, 2009. The Company was not required to adopt this new standard until the first quarter commencing February 1, 2009.

The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets, other than initial recognition of goodwill and intangible assets acquired in a business combination. The adoption of this new standard has had no material impact on the Company's financial statements.

General Standards of Financial Statement Presentation

Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt upon an entity's ability to continue as a going concern. The Company adopted this new standard effective February 1, 2008 with no impact on the Company's financial statement disclosures.

FUTURE ACCOUNTING STANDARDS

The CICA has issued the following new accounting standards:

International Financial Reporting Standards The Canadian Accounting Standards Board will require all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian Generally Accepted Accounting Principles to IFRS will be applicable for the Company's first quarter beginning February 1, 2011 when the Company will prepare comparative financial statements using IFRS.

The adoption of IFRS will have an impact on the Company's accounting, financial statements and disclosures, information systems and internal controls over financial reporting. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented. IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS.

The Company has developed an implementation plan and will continue to invest in resources and training to facilitate a timely conversion. In executing the IFRS implementation plan, the Company is currently assessing the impact of IFRS on the consolidated financial statements and disclosures as well as the impact on information systems and internal controls over financial reporting.

NON-GAAP MEASURES

1 Trading Profit (EBITDA) is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating trading profit may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to trading profit or EBITDA is provided below:

Reconciliation of Net Earnings to Trading Profit

(\$ in thousands)	2008	2007
Net earnings	\$ 75,378	\$ 62,991
Add: Amortization	32,054	26,950
Interest expense	8,307	7,465
Income taxes	6,518	9,151
Trading profit	\$ 122,257	\$ 106,557

For trading profit information by business segment, see Note 15 "Segmented Information" in the notes to the consolidated financial statements on page 36

2 Earnings Before Interest and Income Taxes (EBIT) is not a recognized measure under Canadian GAAP. Management believes that EBIT is a useful measure as it provides investors with an indication of the performance of the consolidated operation and/or business segments, prior to interest expense and income taxes. Investors should be cautioned, however, that EBIT should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating EBIT may differ and may not be comparable to measures used by other companies. A reconciliation of consolidated net earnings to EBIT is provided below:

Reconciliation of Net Earnings to EBIT

(\$ in thousands)	2008	2007
Net earnings	\$ 75,378	\$ 62,991
Add: Interest expense	8,307	7,465
Income taxes	6,518	9,151
EBIT	\$ 90,203	\$ 79,607

For EBIT information by business segment, see Note 15 "Segmented Information" in the notes to the consolidated financial statements on page 36

3 Cash Flow from Operations is not a recognized measure under Canadian GAAP. Management believes that in addition to net earnings, cash flow from operations is a useful supplemental measure as it provides investors with an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investments. Investors should be cautioned, however, that cash flow from operations should not be construed as an alternative to net earnings as a measure of profitability or the statement of cash flows. NWF's method of calculating cash flow from operations may differ from other companies and may not be comparable to measures used by other companies. A reconciliation of consolidated cash flow from operating activities to cash flow from operations is provided below:

Reconciliation of Cash Flow from Operating Activities to Cash Flow from Operations

(\$ in thousands)	2008	2007
Cash flow from operating activities	\$ 90,178	\$ 93,591
Non-cash items: Change in other non-cash items	1,688	1,890
Change in non-cash working capital	14,458	(742)
Cash flow from operations	\$ 106,324	\$ 94,739

Glossary of Terms

Basic earnings per unit Net earnings available to unitholders divided by the weighted average number of units outstanding during the period.

Basis point A unit of measure that is equal to 1/100th of one percent.

Cash flow from operations Provides an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investment. See Non-GAAP measures on page 22.

Control label or Private label A brand or related trademark that is owned by the Company for use in connection with its own products and services.

Debt loss An expense resulting from the estimated loss on potentially uncollectible accounts receivable.

Debt covenants Restrictions written into banking facilities and senior notes and loan agreements that prohibit the Company from taking actions that may negatively impact the interests of the lenders.

Debt to equity ratio Provides information on the proportion of debt and equity the Company is using to finance its operations and calculated by total debt divided by unitholder equity.

Diluted earnings per unit The amount of net earnings for the period available to unitholders divided by the weighted average number of units outstanding during the period including the impact of all potential dilutive outstanding units at the end of the period.

EBIT Net earnings before interest and income taxes provides an indication of the performance of the Company's performance prior to interest expense and income taxes. See Non-GAAP measures on page 22.

EBIT margin EBIT divided by sales.

Fair value The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Gross profit Sales less cost of goods sold and inventory shrinkage.

Gross profit rate Gross profit divided by sales.

Hedge A risk management technique used to manage interest rate, foreign currency exchange or other exposures arising from business transactions.

Interest coverage Net earnings before interest and income taxes divided by interest expense.

Return on equity Net earnings divided by average unitholder equity.

Return on net assets Net earnings before interest and income taxes divided by average net assets employed (average total assets less accounts payable and accrued liabilities, income taxes payable and asset retirement obligations).

Same store sales Retail sales from stores that have been open more than 52 weeks in both periods being compared.

Trading profit (EBITDA) Net earnings before interest, income taxes, depreciation and amortization provides an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. See Non-GAAP measures on page 22.

Trading profit margin Trading profit divided by sales.

Working capital Total current assets less total current liabilities.

Year The fiscal year ends on January 31. The 2008 year which ended January 31, 2009 had 366 days of operations as a result of the February 29 leap year. The 2007 year which ended January 31, 2008 had 365 days of operations. The 2006 year which ended January 31, 2007 has 368 days of operations as a result of the Fund adopting a fixed fiscal year end of January 31 compared to the last Saturday in January used in prior years.

Eleven-Year Financial Summary

Fiscal Year ¹ (\$ in thousands)	2008 52 weeks	2007 52 weeks	2006 52 weeks	2005 52 weeks	2004 52 weeks	2003 53 weeks
Consolidated Statements of Earnings						
Sales - Canadian Operations	\$ 899,263	\$ 852,773	\$ 769,633	\$ 689,340	\$ 629,822	\$ 615,661
Sales - International Operations ²	493,371	211,717	175,291	160,313	158,871	167,059
Sales - Total	1,392,634	1,064,490	944,924	849,653	788,693	782,720
Trading profit (EBIUTDA) ³ - Canadian Operations	90,606	87,410	81,730	70,561	62,629	57,663
Trading profit (EBIUTDA) ³ - International Operations ²	31,651	19,147	14,639	14,941	13,977	15,163
Trading profit (EBIUTDA) ³ - Total Operations	122,257	106,557	96,369	85,502	76,606	72,826
Amortization - Canadian Operations	24,501	22,634	22,248	21,103	19,977	18,413
Amortization - International Operations ²	7,553	4,316	3,924	3,910	3,928	3,988
Amortization - Total	32,054	26,950	26,172	25,013	23,905	22,401
Unusual item	-	-	-	-	-	-
Interest	8,307	7,465	6,844	6,120	5,761	6,299
Income tax provision (recovery)	6,518	9,151	9,693	11,479	9,675	8,396
Net earnings (loss)	75,378	62,991	53,660	42,890	37,265	35,730
Cash flow from operations	106,324	94,739	78,753	70,856	63,150	58,886
Distributions/Dividends paid during the year	67,730	54,667	38,702	30,317	29,105	30,639
Cash flow from operations after distributions/dividends	38,594	40,072	40,051	40,539	34,045	28,247
Capital expenditures	46,118	44,409	30,136	24,833	22,323	33,273
Net change in cash	3,998	(368)	212	10,450	(5,189)	6,176
Consolidated Balance Sheets						
Current assets	\$ 285,088	\$ 254,061	\$ 226,164	\$ 218,742	\$ 208,188	\$ 196,830
Property and equipment	248,856	223,397	189,599	182,108	186,104	192,395
Goodwill, intangible and other assets	68,632	50,492	19,690	17,306	12,253	12,153
Future income taxes	6,597	1,720	6,416	5,693	7,932	8,222
Current liabilities	175,301	134,899	122,783	95,467	88,284	83,140
Long-term debt and other liabilities	159,462	138,470	67,056	85,809	89,908	97,982
Equity	274,410	256,301	252,030	242,573	236,285	228,478
Consolidated Dollar Per Unit⁴						
Net earnings (loss) before unusual item - basic	\$ 1.58	\$ 1.32	\$ 1.13	\$ 0.90	\$ 0.78	\$ 0.75
Net earnings (loss) - diluted	1.56	1.31	1.12	0.89	0.77	0.74
Trading profit ⁴	2.56	2.24	2.03	1.79	1.60	1.52
Cash flow from operations ⁴	2.23	1.99	1.66	1.49	1.32	1.23
Distributions paid during the year	1.40	1.13	0.80	0.63	0.60	0.63
Cash flow from operations after distributions/dividends ⁴	0.83	0.86	0.86	0.86	0.72	0.60
Equity at end of fiscal year (basic units outstanding)	5.75	5.37	5.29	5.11	4.95	4.78
Market price at January 31	16.14	18.42	16.41	12.50	10.22	7.88
Statistics at Year End						
Number of stores - Canadian	178	176	168	164	159	156
Number of stores - International ²	43	44	32	27	25	25
Selling square feet (000's) end of year - Canadian Stores	1,396	1,368	1,226	1,157	1,093	1,106
Selling square feet (000's) end of year - International ²	667	690	311	272	255	254
Sales per average selling square foot - Canadian	\$ 651	\$ 657	\$ 646	\$ 613	\$ 573	\$ 566
Sales per average selling square foot - International ²	\$ 727	\$ 423	\$ 601	\$ 608	\$ 624	\$ 669
Number of employees - Canadian Operations	5,408	5,359	5,833	5,175	4,830	4,552
Number of employees - International Operations ²	1,339	1,502	806	732	692	736
Average units outstanding (000's)	47,718	47,649	47,561	47,694	47,754	47,820
Units outstanding at end of fiscal year (000's)	47,722	47,701	47,625	47,463	47,700	47,799
Units traded during the year (000's)	16,402	17,330	13,167	6,956	7,393	7,207
Financial Ratios						
Trading profit (%) ³	8.8	10.0	10.2	10.1	9.7	9.3
EBIUT (%) ⁵	6.5	7.5	7.4	7.1	6.7	6.4
Total return on net assets before unusual item (%)	19.8	21.0	19.7	16.6	14.8	14.1
Return on average equity before unusual item (%)	28.6	24.9	21.7	18.0	16.2	16.0
Debt-to-equity	.78:1	.62:1	.43:1	.46:1	.51:1	.56:1
Distributions/Dividends as % of cash flow from operations	63.7	57.7	49.1	42.8	46.1	52.1
Inventory turnover (times)	5.8	5.3	5.1	4.6	4.2	4.1

¹ The fiscal year changed from the last Saturday in January to January 31 effective January 31, 2007

² International operations includes Alaska Commercial Company, Cost-U-Less, Inc. which was acquired December 13, 2007, and Span Alaska Enterprises, which was acquired March 3, 2008. These entities were merged into The North West Company (International) Inc. on December 31, 2008

2002 52 weeks	2001 52 weeks	2000 52 weeks	1999 52 weeks	1998 52 weeks	Fiscal Year ¹ (\$ in thousands)
Consolidated Statements of Earnings					
\$ 565,747	\$ 532,349	\$ 502,756	\$ 478,508	\$ 494,023	Sales - Canadian Operations
184,012	171,694	156,276	147,961	135,095	Sales - International Operations ²
749,759	704,043	659,032	626,469	629,118	Sales - Total
59,163	60,337	54,534	51,075	55,736	Trading profit (EBIUTDA) ³ - Canadian Operations
13,108	10,198	9,352	8,881	6,304	Trading profit (EBIUTDA) ³ - International Operations ²
72,271	70,535	63,886	59,956	62,040	Trading profit (EBIUTDA) ³ - Total Operations
18,976	19,301	18,568	17,287	16,739	Amortization - Canadian Operations
3,696	3,393	2,987	2,860	2,470	Amortization - International Operations ²
22,672	22,694	21,555	20,147	19,209	Amortization - Total
-	-	-	-	20,000	Unusual item
6,681	10,501	13,236	11,701	13,714	Interest
8,449	8,325	961	151	(7,028)	Income tax provision (recovery)
34,469	29,015	28,134	27,957	16,145	Net earnings (loss)
59,184	55,773	47,782	44,854	52,110	Cash flow from operations
25,157	21,375	21,446	21,600	18,750	Distributions/Dividends paid during the year
34,027	34,398	26,336	23,254	33,360	Cash flow from operations after distributions/dividends
20,128	20,427	19,133	22,777	18,328	Capital expenditures
475	1,388	(1,567)	(1,481)	1,260	Net change in cash
Consolidated Balance Sheets					
\$ 209,900	\$ 219,956	\$ 192,250	\$ 176,164	\$ 174,137	Current assets
188,194	194,025	194,448	195,429	197,310	Property and equipment
10,775	9,836	10,055	12,351	13,045	Goodwill, intangible and other assets
9,322	9,358	19,212	3,593	2,919	Future income taxes
91,995	204,017	100,886	92,486	90,723	Current liabilities
106,812	9,634	124,106	125,146	132,571	Long-term debt and other liabilities
219,384	219,524	190,973	169,905	164,117	Equity
Consolidated Dollar Per Unit¹					
\$ 0.72	\$ 0.65	\$ 0.63	\$ 0.62	\$ 0.61	Net earnings (loss) before unusual item - basic
0.71	0.65	0.63	0.62	0.36	Net earnings (loss) - diluted
1.50	1.58	1.43	1.33	1.38	Trading profit ⁴
1.23	1.25	1.07	1.00	1.16	Cash flow from operations ⁴
0.52	0.49	0.48	0.48	0.41	Distributions paid during the year
0.71	0.76	0.59	0.52	0.83	Cash flow from operations after distributions/dividends ⁴
4.59	4.54	4.33	3.78	3.65	Equity at end of fiscal year (basic units outstanding)
6.90	5.73	4.33	4.00	5.20	Market price at January 31
Statistics at Year End					
154	153	153	153	151	Number of stores - Canadian
25	24	24	25	23	Number of stores - International ²
1,070	1,050	1,019	998	990	Selling square feet (000's) end of year - Canadian Stores
245	244	238	235	229	Selling square feet (000's) end of year - International ²
\$ 534	\$ 515	\$ 499	\$ 481	\$ 481	Sales per average selling square foot - Canadian
\$ 752	\$ 712	\$ 661	\$ 638	\$ 592	Sales per average selling square foot - International ²
4,270	4,015	3,822	3,787	3,823	Number of employees - Canadian Operations
657	690	655	655	635	Number of employees - International Operations ²
48,021	44,688	44,625	45,000	45,000	Average units outstanding (000's)
47,844	48,378	44,073	45,000	45,000	Units outstanding at end of fiscal year (000's)
7,617	4,776	4,843	2,795	4,606	Units traded during the year (000's)
Financial Ratios					
9.6	10.0	9.7	9.6	9.9	Trading profit (%) ³
6.6	6.8	6.4	6.4	6.8	EBIUT (%) ⁵
13.4	12.7	11.5	11.6	12.1	Total return on net assets before unusual item (%)
15.8	14.9	15.2	16.8	17.6	Return on average equity before unusual item (%)
.62:1	.69:1	.92:1	1.01:1	1.06:1	Debt-to-equity
42.5	38.3	44.9	48.2	36.0	Distributions/Dividends as % of cash flow from operations
3.7	3.3	3.3	3.4	3.1	Inventory turnover (times)

3 Earnings before interest, unusual item, taxes and amortization

4 Based on average basic units outstanding

5 Earnings before interest, unusual item and taxes

6 On September 20, 2006 the units were split on a three-for-one basis.
All per unit information has been restated to reflect the three-for-one
split except trading volume

Management's Responsibility for Financial Statements

The management of North West Company Fund are responsible for the preparation, presentation and integrity of the accompanying financial statements and all other information in this annual report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada and include certain amounts that are based on the best estimates and judgment by management.

In order to meet its responsibility and ensure integrity of financial reporting, management has established a code of business ethics, and maintains appropriate internal controls and accounting systems. An internal audit function is maintained that is designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and recorded and that the financial records are reliable.

Ultimate responsibility for financial reporting to unitholders rests with the Trustees of the Fund. The Audit Committee of the Board of Trustees, consisting of outside Trustees, meets periodically with management and with the internal and external auditors to review the audit results, internal controls and accounting policies. Internal and external auditors have unlimited access to the Audit Committee. The Audit Committee meets separately with management and the external auditors to review the financial statements and other contents of the annual report and recommend approval by the Board of Trustees. The Audit Committee also recommends the independent auditor for appointment by the unitholders.

PricewaterhouseCoopers LLP, an independent firm of auditors appointed by the unitholders, have completed their audit and submitted their report as follows.



Edward S. Kennedy
PRESIDENT & CEO
NORTH WEST COMPANY FUND



Léo P. Charrière
EXECUTIVE VICE-PRESIDENT & CFO
NORTH WEST COMPANY FUND

MARCH 19, 2009

Auditors' Report

PRICEWATERHOUSECOOPERS 

To the Unitholders of North West Company Fund:

We have audited the consolidated balance sheets of North West Company Fund as at January 31, 2009 and 2008 and the consolidated statements of earnings and retained earnings, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at January 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
WINNIPEG, CANADA

MARCH 19, 2009

Consolidated Balance Sheets

(\$ in thousands)

January 31, 2009

January 31, 2008

ASSETS

Current assets

Cash	\$ 25,730	\$ 21,732
Accounts receivable	68,485	62,759
Inventories	181,780	162,481
Prepaid expenses	5,845	3,604
Future income taxes (Note 13)	3,248	3,485

285,088 254,061

Property and equipment (Note 4)	248,856	223,397
Other assets (Note 5)	20,360	18,088
Intangible assets (Note 6)	15,900	5,522
Goodwill	32,372	26,882
Future income taxes (Note 13)	6,597	1,720

\$ 609,173 \$ 529,670

LIABILITIES

Current liabilities

Bank advances and short-term notes (Note 7)	\$ 5,974	\$ 4,336
Accounts payable and accrued liabilities	117,451	109,877
Income taxes payable	2,549	2,053
Current portion of long-term debt (Note 8)	49,327	18,633

175,301 134,899

Long-term debt (Note 8)	157,725	136,864
Asset retirement obligations (Note 9)	1,737	1,606

334,763 273,369

EQUITY

Capital (Note 10)	165,133	165,133
Unit purchase loan plan (Note 11)	(11,296)	(12,342)
Contributed surplus	1,569	970
Retained earnings	110,475	100,526
Accumulated other comprehensive income (Note 12)	8,529	2,014

274,410 256,301

\$ 609,173 \$ 529,670

See accompanying notes to consolidated financial statements

Approved by the Trustees



H. Sanford Riley
TRUSTEE



Edward S. Kennedy
TRUSTEE

Consolidated Statements of Earnings & Retained Earnings

(\$ in thousands)	Year Ended January 31, 2009	Year Ended January 31, 2008
SALES	\$ 1,392,634	\$ 1,064,490
Cost of sales, selling and administrative expenses	(1,270,377)	(957,933)
Net earnings before amortization, interest and income taxes	122,257	106,557
Amortization	(32,054)	(26,950)
	90,203	79,607
Interest, including interest on long-term debt of \$7,760 (2007 - \$4,648)	(8,307)	(7,465)
	81,896	72,142
Provision for income taxes (Note 13)	(6,518)	(9,151)
NET EARNINGS FOR THE YEAR	\$ 75,378	\$ 62,991
Retained earnings, beginning of year as previously reported	100,526	93,253
Accounting policy changes (Note 2)	(119)	(83)
Retained earnings, as adjusted	100,407	93,170
Distributions (Note 22)	(65,310)	(55,635)
RETAINED EARNINGS, END OF YEAR	\$ 110,475	\$ 100,526
NET EARNINGS PER UNIT (Note 14)		
Basic	\$ 1.58	\$ 1.32
Diluted	\$ 1.56	\$ 1.31

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

(\$ in thousands)	Year Ended January 31, 2009	Year Ended January 31, 2008
NET EARNINGS FOR THE YEAR	\$ 75,378	\$ 62,991
Unrealized gains (losses) on translation of financial statements from a self-sustaining operation in U.S. dollar functional currency to Canadian dollar reporting currency	6,515	(2,668)
Other comprehensive income (loss) (Note 12)	6,515	(2,668)
COMPREHENSIVE INCOME	\$ 81,893	\$ 60,323

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

(\$ in thousands)

Year Ended
January 31, 2009

Year Ended
January 31, 2008

CASH PROVIDED BY (USED IN)

Operating Activities

Net earnings for the year	\$ 75,378	\$ 62,991
Non-cash items		
Amortization	32,054	26,950
Future income taxes	(919)	3,656
Unit purchase loan plan compensation (Note 18)	599	587
Amortization of deferred financing costs	186	186
(Gain) Loss on disposal of property and equipment	(974)	369
	106,324	94,739
Change in non-cash working capital	(14,458)	742
Change in other non-cash items	(1,688)	(1,890)
Operating activities	90,178	93,591

Investing Activities

Business acquisitions (Note 21)	(7,656)	(54,258)
Purchase of property and equipment	(46,118)	(44,409)
Proceeds from disposal of property and equipment	4,339	549
Investing activities	(49,435)	(98,118)

Financing Activities

Change in bank advances and short-term notes	548	(20,117)
Net repayments (purchases) of units for unit purchase loan plan	1,046	(849)
Increase in long-term debt	47,822	97,099
Repayment of long-term debt	(18,431)	(20,278)
Return of capital (Note 10)	—	(72)
Distributions (Note 22)	(67,730)	(54,667)
Financing activities	(36,745)	1,116

NET CHANGE IN CASH

Cash acquired in business acquisition (Note 21)	—	3,043
Cash, beginning of year	21,732	22,100

CASH, END OF YEAR

	\$ 25,730	\$ 21,732
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Supplemental disclosure of cash paid for:

Interest expense	\$ 8,287	\$ 7,503
Income taxes	\$ 7,535	\$ 6,886

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

(\$ IN THOUSANDS)

January 31, 2009

1. ORGANIZATION

The North West Company Fund (NWF or the Fund) is an unincorporated open-ended mutual fund trust, governed by the laws of the Province of Manitoba and the laws of Canada and created pursuant to a Declaration of Trust. The beneficiaries of the Fund (the "unitholders") are holders of trust units issued by the Fund (the "Trust Units"). The Fund is a limited purpose trust whose purpose is to invest in securities of its wholly owned subsidiaries The North West Company Inc. (NWC), The NWC Trust, North West Company Holdings Inc., NWC GP Inc., The North West Company LP, administer the assets and liabilities of NWF and make distributions to the unitholders all in accordance with the Declaration of Trust.

2. ACCOUNTING POLICY CHANGES

Inventories

Effective February 1, 2008 the Company adopted the new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA) Section 3031 Inventories which is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Section 3031 provides guidance on the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. The cost of inventories includes the cost to purchase and other costs incurred to bring the inventories to their present location and condition. Costs such as storage costs and administrative overheads that do not contribute to bring the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred. Reversals of previous write-downs to net realizable value are now required when there is a subsequent increase in the value of the inventories. The cost of inventories should be determined using either a first-in, first-out or weighted average cost formula. Techniques for the measurement of cost of inventories, such as the retail method may be used if the results approximate actual cost. The new standard also requires additional disclosures regarding the accounting policies used in measuring the inventories, the carrying value of the inventories, the amount of inventories recognized as an expense during the period, the amount of write-downs during the period and the amount of any reversal of write-downs that is recognized as a reduction of expenses.

The Company values inventories at the lower of cost and net realizable value. Costs include the cost to purchase net of vendor allowances and other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. The cost of warehouse inventories is determined by the weighted average cost. The cost of store inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method on a first-in, first-out basis for food inventories. The Company defines net realizable value as the anticipated selling price. Inventories are written down to net realizable value when the cost of inventories is estimated to be greater than the anticipated selling price. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling price, the amount of the write-down previously recorded is reversed. Storage costs, administrative overheads and selling costs related to the inventories are expensed in the period the costs are incurred.

This change in accounting policy has been implemented retroactively without restatement of comparative financial statements in accordance with the transitional provisions. Upon adoption of this accounting standard, the Company recorded a decrease in opening inventories of \$221, an increase in opening future income tax assets of \$102, and a decrease to opening retained earnings of \$119.

Included in cost of sales, selling and administrative expenses on the consolidated statement of earnings for the year ended January 31, 2009 is \$990,348 of inventories recognized as an expense, which includes \$1,235 for the write-down of inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written-down previously that are no longer estimated to sell below cost.

General Standards of Financial Statement Presentation

Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt upon an entity's ability to continue as a going concern. The Company adopted this new standard effective February 1, 2008 with no impact on the Company's financial statement disclosures.

Goodwill and Intangible Assets

The requirements of Section 3064, Goodwill and Intangible Assets have been adopted and reflected in the Company's financial statements as of January 31, 2009. The Company was not required to adopt this new standard until the first quarter commencing February 1, 2009.

The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard has had no material impact on the Company's financial statement disclosures or its results from operations.

Financial Instruments – Recognition and Measurement, Financial Instruments - Disclosure and Presentation, Hedges, Comprehensive Income and Equity

Effective February 1, 2007 the Company adopted the new accounting standards issued by the CICA Section 3855 Financial Instruments – Recognition and Measurement; Section 3861 Financial Instruments – Disclosure and Presentation; Section 3865 Hedges; Section 1530 Comprehensive Income; and Section 3251 Equity. These changes in accounting policy have been applied retroactively without restatement of comparative financial statements, with the exception of the reclassification of the cumulative currency translation adjustments account to accumulated other comprehensive income (Note 12) in accordance with the transitional provisions of the standards. Upon adoption of these accounting standards, the Company recorded a decrease in opening retained earnings of \$83.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The consolidated financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in thousands of Canadian dollars unless otherwise noted. These consolidated financial statements include the accounts of NWF, The NWC Trust, North West Company Holdings Inc., NWC GP Inc., NWC, and the operating entities (the “Company”) The North West Company LP, Alaska Commercial Company (AC), Span Alaska Enterprises, Inc. (Span) and Cost-U-Less, Inc (CUL). AC, Span and CUL are reported as International operations and were merged into The North West Company (International) Inc. on December 31, 2008. The remaining entities are reported as Canadian operations. The financial results of certain subsidiaries which have different year ends have been included in the consolidated financial statements for the 12 months ended January 31, 2009 and January 31, 2008. Span was acquired on March 3, 2008 and the results of operations are included in the consolidated financial statements from the acquisition date. All significant inter-company amounts and transactions have been eliminated on consolidation.

Revenue Recognition Revenue on the sale of goods and services is recorded at the time the sale is made to the customer. Service charges on credit card receivables are accrued each month on balances outstanding at each account’s billing date.

Accounts Receivable Accounts receivable are recorded at cost, net of allowance for doubtful accounts and include customer installment accounts, a portion of which may not become due within one year. The Company records an allowance to reduce the carrying value of accounts receivable identified as potentially uncollectible to their estimated realizable amount. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories Inventories are valued at the lower of cost and net realizable value. The cost of warehouse inventories is determined by the average cost method. The cost of retail inventories is determined primarily using the retail method of accounting for general merchandise inventories and the cost method of accounting for food inventories. Net realizable value is defined as the anticipated selling price.

Vendor Rebates Consideration received from vendors related to the purchase of merchandise is recorded as a reduction in the price of the vendor’s products and reflected as a reduction of cost of goods sold and related inventory.

Property and Equipment Property and equipment are initially recorded at cost. Amortization is provided using the straight-line method over their estimated useful lives, as follows:

Buildings	2%-8%
Leasehold improvements	5%-20%
Fixtures and equipment	8%-33%
Computer equipment	12%-33%

Impairment of Long-Lived Assets Impairment of long lived assets is recognized when an event or change in circumstances causes the asset’s carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value and is recognized as an expense in the period of impairment. No assets have been deemed to be impaired at January 31, 2009 and 2008.

Other Assets Other assets consist primarily of accrued employee future benefit asset and an investment in a transportation company. The transportation company is accounted for on the equity basis. Prepayments under lease agreements are being amortized over their respective lease terms and are recorded in cost of sales, selling and administrative expenses on the consolidated statements of earnings.

Intangible Assets Intangible assets with definite useful lives are recorded at their cost and are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 to 7 years
Non-compete agreements.....	5 to 10 years

The carrying value of these assets is reviewed periodically for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and will be written down to their fair value by a charge to amortization expense if a decline in carrying value is determined. The amortization method and estimate of the useful life of an intangible asset are reviewed annually.

Intangible assets which have indefinite lives are not amortized and are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. The impairment test compares the carrying amount of the intangible assets with their fair value as of the assessment date. An impairment loss is recorded when the carrying value exceeds the fair value and is recognized as an expense in the period of impairment.

Goodwill Goodwill represents the excess of the acquisition cost of investments in subsidiaries over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill is not amortized but is subject to an annual fair value impairment test. Impairment is tested by determining whether a reporting unit's fair value exceeds its net carrying amount as of the assessment date. An impairment loss is recorded when the carrying value exceeds the fair value and is recognized as an expense in the period of impairment. The Company performs the impairment test on an annual basis. The annual impairment test was performed and it was determined that there was no impairment to the carrying value.

Unit Purchase Loan Plan Loans issued to officers and senior management to purchase units of the Fund under the unit purchase loan plan are accounted for as a reduction of equity.

Security Based Compensation The Company has security-based compensation plans as described in Note 18. Security-based awards are measured and recognized using a fair value based method.

Foreign Currency Translation The accounts of self-sustaining foreign operations have been translated into Canadian dollars using the current rate method whereby assets and liabilities are translated at the year-end exchange rate and revenues and expenses at the average rate for the period. Foreign exchange gains or losses arising from the translation of the net investment in the self-sustaining foreign operations and the U.S. denominated debt designated as a hedge against this investment are deferred and included in a separate component of equity as accumulated other comprehensive income. Accumulated other comprehensive income is recognized in net earnings when there has been a reduction in the net investment in the self-sustaining foreign operation.

Income Taxes The Company accounts for income taxes using the liability method of tax allocation. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized. The provision for income taxes is recorded in the Company at applicable statutory rates.

The Fund is an inter vivos trust for income tax purposes. All income of the Fund is distributed to unitholders and, as such, no income tax is payable by the Fund. On June 22, 2007, legislation was passed (the "SIFT Rules") which imposes a new entity-level tax on distributions from certain specified investment flow-through entities ("SIFTs") such as the Fund commencing January 1, 2011 at a proposed rate of approximately 30% in 2011 and 28% in 2012. The application of the SIFT Rules is delayed until January 1, 2011 provided the Fund is not considered to have undergone an "undue expansion" in the interim period.

Employee Future Benefits The Company maintains a defined benefit or defined contribution pension plan for the majority of its Canadian employees. The actuarial determination of the accrued benefit obligations for pension benefits uses the projected benefit method prorated on services which incorporates management's best estimate of expected plan investment performance, salary escalation, and retirement ages of employees. For the purpose of calculating the expected returns on plan assets, those assets are valued at market related values based on a five year moving average. Past service costs and the net transitional asset are amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits under the plan. The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the market related value of the plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the pension plan is 15 years (January 31, 2008 - 15 years). Contributions to the defined contribution pension plan are expensed as incurred. The Company also sponsors an employee savings plan for U.S. employees whereby the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

Asset Retirement Obligations A liability associated with the retirement of long-lived assets is recorded in the period in which the legal obligation is incurred at its estimated fair value and a corresponding asset is capitalized as part of the related asset and depreciated over its useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation is accreted to reflect the passage of time and changes in the estimated future costs underlying the obligation. Accretion expense is included in cost of sales, selling and administrative expenses.

Financial Instruments All financial assets must be designated as either held for trading, available for sale, loans and receivables or held to maturity. All financial liabilities must be designated as either held for trading or other liabilities. Initial measurement of financial instruments is at fair value. Measurement in subsequent periods depends on the initial classification. Financial assets and liabilities designated as held for trading are subsequently measured at fair value with periodic changes in fair value recognized in earnings. Financial assets designated as available for sale are subsequently measured at fair value with periodic changes in fair value recognized in other comprehensive income until realized, at which time the accumulated gains or losses are reclassified into net earnings. Financial assets designated as loans and receivable or held to maturity and financial liabilities designated as other liabilities are subsequently measured at amortized cost and income or expense is recognized in net earnings using the effective interest method. The carrying amounts of assets or liabilities that are part of an effective fair value hedging relationship are adjusted by an amount equal to the change in fair value caused by the risk that is hedged.

All derivatives, including embedded derivatives must be measured on the balance sheet at fair value. Periodic changes

in the fair value of those derivatives are reflected in net earnings unless the derivative is in an effective cash flow hedging relationship. For derivatives in an effective cash flow hedging relationship, the effective portion of the change in fair value is recognized in other comprehensive income and any ineffective portion is recognized in earnings.

Accounts receivable and financial assets included in other assets are designated as loans and receivables and are carried on the balance sheet at amortized cost. Interest revenue, consisting primarily of service charge income on customer accounts receivable, is included in sales in the consolidated financial statements. Bank advances and short-term notes and accounts payable and accrued liabilities are designated as other liabilities and are carried on the balance sheet at amortized cost. Interest incurred, if any, in relation to these liabilities is recorded using the effective interest method and included in interest expense.

Long-term debt is designated as other liabilities and carried on the balance sheet at amortized cost. Transaction costs relating to the issuance of long-term debt are included in the amortized cost of the debt. Interest expense relating to long-term debt is recorded using the effective interest method and included in the consolidated statement of earnings in interest expense. Portions of the long-term debt are hedged to protect against interest rate risk and foreign exchange risk. To the extent that the hedging relationships are effective, the amortized cost balance is adjusted to include the portion of the change in fair value of the debt that is caused by the effects of interest rate risk and foreign exchange risk, where those risks are hedged.

Cross currency interest rate and interest rate swap derivative instruments may be used to hedge exposure to interest rate and foreign exchange rate risk. These derivatives are recognized on the balance sheet at their fair value. The hedging relationships are designated as fair value hedges and are tested for effectiveness on a quarterly basis. To the extent that the hedging relationship is effective, a gain or loss arising from the hedged item in a fair value hedge adjusts the carrying value of the hedged item and is reflected in earnings, offset by change in fair value of the underlying derivative. Any change in fair value of derivatives that do not qualify for hedge accounting is reported in earnings. Changes in fair value relating to the interest rate swaps are included in interest expense. For cross currency interest rate swaps changes in fair value caused by interest rates are included in interest expense and changes in fair value caused by foreign exchange rates are included in cost of sales, selling and administrative expenses in the consolidated statement of earnings.

A portion of the U.S. denominated debt is designated as a hedge against foreign exchange exposure caused by the Company's net investment in self-sustaining foreign operations. The foreign exchange gains and losses arising from translation of this debt are included in other comprehensive income and subsequently recognized in earnings when the hedged item affects earnings.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Future events could alter such estimates in the near term. Estimates are used when accounting for items such as valuation of accounts receivable, valuation of inventories, financial instruments, amortization, impairment of assets, employee future benefits, goodwill, asset retirement obligations and income taxes.

4. PROPERTY AND EQUIPMENT

Year Ended	January 2009		January 2008	
	Accumulated Cost	Amortization	Cost	Amortization
Land	\$ 8,540	\$ -	\$ 8,290	\$ -
Buildings & leasehold improvements	288,987	141,610	256,162	120,237
Fixtures & equipment	185,328	120,244	155,707	93,818
Computer equipment	54,161	44,773	47,006	36,703
Construction in process	18,467	-	6,990	-
	\$ 555,483	\$ 306,627	\$ 474,155	\$ 250,758
Net book value	\$ 248,856		\$ 223,397	

5. OTHER ASSETS

Year Ended	January 2009	January 2008
Investments in transportation companies	\$ 6,186	\$ 4,681
Accrued employee future benefit asset (Note 16)	8,522	7,638
Long-term receivable	3,088	3,286
Prepayments under lease agreements	807	949
Other	1,757	1,534
	\$ 20,360	\$ 18,088

6. INTANGIBLE ASSETS

Year Ended	January 2009		January 2008	
	Accumulated Cost	Amortization	Cost	Amortization
Intangible assets with definite lives:				
Software	\$ 11,877	\$ 6,373	\$ 8,291	\$ 3,714
Non-compete agreements	2,791	1,050	1,370	425
Intangible assets with indefinite lives:				
Cost-U-Less, Inc. banner	8,655	-	-	-
	\$ 23,323	\$ 7,423	\$ 9,661	\$ 4,139
Net book value	\$ 15,900		\$ 5,522	

The amount allocated to the Cost-U-Less banner is an indefinite life intangible asset as it is expected to generate cash flows in perpetuity. Indefinite life intangible assets are not amortized but

are subject to an annual impairment test. The annual impairment test was performed and there was no impairment to the carrying value.

Intangible asset amortization expense recorded in amortization on the consolidated statement of earnings for the year ended January 31, 2009 is \$3,284 (January 31, 2008 - \$2,366).

7. BANK ADVANCES AND SHORT-TERM NOTES

International operations have available demand, revolving loan facilities of US\$15,000 at interest rates of U.S. prime minus a spread secured by a floating charge against certain accounts receivable and inventories of the International operations. As at January 31, 2009, the International operations had drawn US\$4,832 (January 31, 2008 - US\$4,326) on the facility.

8. LONG-TERM DEBT

Year Ended	January 2009	January 2008
Senior notes ¹	\$ 48,411	\$ 57,292
Revolving loan facilities ²	90,031	41,919
Non-revolving loan facilities ³	64,293	52,114
Notes payable ⁴	1,799	1,726
Obligation under capital lease ⁵	2,518	2,446
	207,052	155,497
Less: Current portion of long-term debt	49,327	18,633
	\$ 157,725	\$ 136,864

1 The US\$39,000 senior notes mature on June 15, 2009 and bear an interest rate of 5.89% payable semi-annually. The notes are secured by a floating charge against the assets of the Company. The Company has entered into an interest rate swap resulting in floating interest costs on US\$9 million of its senior notes. After giving effect to the interest rate swaps the effective interest rate for the year ended January 31, 2009 was 6.1% (January 31, 2008 - 7.4%).

2 Canadian operations have available extendible, committed, revolving loan facilities of \$140,000 that mature on December 31, 2011. These facilities, which are extendible at the request of the Company and subject to lender approval, are secured by a floating charge against the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at Bankers Acceptances rates plus stamping fees or the Canadian prime rate. As at January 31, 2009, the Company has drawn \$90,031 (January 31, 2008 - \$41,919) on these facilities. The weighted average interest rate for the year ended January 31, 2009 was 2.8% (January 31, 2008 - 4.7%).

3 International operations have available extendible, committed non-revolving loan facilities of US\$52 million that mature on December 31, 2010. These facilities, which are extendible at the request of the Company and subject to lender approval, are secured by a floating charge against the assets of the Company and rank pari passu with the senior note holders. These facilities bear interest at LIBOR plus stamping fees or the U.S. prime rate. As at January 31, 2009, the Company has drawn US\$52,000

(January 31, 2008 - US\$52,000) on these facilities. The weighted average interest rate for the year ended January 31, 2009 was 3.1% (January 31, 2008 - 3.6%).

4 As a result of the Cost-U-Less, Inc. acquisition (Note 21), the Company assumed notes payable in the amount of US\$1,455 (January 31, 2008 - US\$1,722). The notes have an interest rate of U.S. prime plus 1%. The notes payable mature in 2013 and 2015 and have annual principal payments of US\$267. The effective interest rate for the year ended January 31, 2009 was 4.3% (January 31, 2008 - 7.0%).

5 The obligation under capital leases of US\$2,036 (January 31, 2008 - US\$2,441) is repayable in blended principal and interest payments of US\$634 annually.

The Company's principal payments of long-term debt over the next five years are as follows:

Years Ending January	
2010	\$ 49,327
2011	65,257
2012	90,883
2013	774
2014 and thereafter	811

9. ASSET RETIREMENT OBLIGATIONS

The Company has recognized a discounted liability associated with obligations arising from the operation of petroleum dispensing units and the specific provisions of certain lease agreements. At January 31, 2009, the undiscounted cash flows required to settle the obligations is \$7.1 million, which is expected to be settled between 2009 and 2040. The credit-adjusted risk free rates at which the estimated cash flows have been discounted range from 6% to 8%.

A reconciliation of the opening and closing carrying amount of the asset retirement obligation is as follows:

Year Ended	January 2009	January 2008
Balance, beginning of year	\$ 1,606	\$ 1,425
Liabilities incurred during the year	61	72
Obligations extinguished during the year	(101)	-
Accretion expense	171	109
Balance, end of year	\$ 1,737	\$ 1,606

10. CAPITAL

Authorized The Fund has an unlimited number of units.

Year Ended	January 2009	January 2008
Issued and outstanding	48,378 \$165,133	48,378 \$165,133

For the year-ended January 31, 2008, pursuant to an Advance Income Tax Ruling of the Canada Revenue Agency related to an internal reorganization, the Fund paid a return of capital of \$72 to unitholders.

11. UNIT PURCHASE LOAN PLAN

During the year the Company issued loans to officers and senior management to purchase units under the unit purchase loan plan (Note 18). These loans are non-interest bearing and are repayable from the Company's after tax distributions or if the employee sells the units or leaves the Company. The loans are secured by a pledge of 655,777 units (January 31, 2008 - 677,197) of NWF with a quoted value of \$10,584 as at January 31, 2009 (January 31, 2008 - \$12,474). Loans receivable at January 31, 2009 of \$11,296 (January 31, 2008 - \$12,342) are recorded as a reduction of equity. The loans mature January 31, 2011. The maximum amount of the loans under the plan is currently limited to \$15,000.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

Year Ended	January 2009	January 2008
Balance, beginning of year as previously reported	\$ 2,014	\$ -
Unrealized gains on translation of financial statements from a self sustaining operation in U.S. dollar functional currency to Canadian dollar reporting currency	-	4,682
Adjusted balance, beginning of year	2,014	4,682
Other comprehensive income (loss)	6,515	(2,668)
Accumulated other comprehensive income, end of year	8,529	2,014
Retained earnings, end of year	110,475	100,526
Total accumulated other comprehensive income, and retained earnings	\$ 119,004	\$ 102,540

Accumulated other comprehensive income represents the net changes due to exchange rate fluctuations in the equivalent Canadian dollar book values of the net investment in self-sustaining foreign operations from the date of acquisition. The US\$39,000 senior notes have been designated as a hedge against the foreign operations.

13. INCOME TAXES

The income tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities are as follows:

Year Ended	January 2009	January 2008
Future income tax assets:		
Non-capital income tax loss carry forwards	\$ 147	\$ 381
Goodwill and intangible assets	577	440
Property, equipment and inventory	6,879	6,957
International property, equipment and inventory	1,501	247
Stock-based compensation and long-term incentive plans	969	122
Other temporary differences	2,078	(842)
Total future income tax assets	\$ 12,151	\$ 7,305
Future income tax liabilities:		
Accrued employee future benefit asset	(2,306)	(2,100)
Net future income tax asset	9,845	5,205
Less: current portion	3,248	3,485
Long-term future income tax assets	\$ 6,597	\$ 1,720

In assessing the recovery of future income tax assets, management considers whether it is more likely than not that the future income tax assets will be realized. The recognition and measurement of the current and future tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations and in the assessment of the recoverability of future tax assets. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the years in which the temporary differences are deductible.

Components of the provision for income taxes are as follows:

Year Ended	January 2009	January 2008
Current income tax expense	\$ 7,437	\$ 5,495
Future income tax expense (benefit) relating to:		
Temporary differences and loss carryforwards	(1,092)	2,941
Future income tax expense resulting from income tax rate changes	173	715
	\$ 6,518	\$ 9,151

Income tax expense varies from the amounts that would be computed by applying the statutory income tax rate to income before taxes for the following reasons:

Year Ended	January 2009	January 2008
Net earnings before income taxes	\$ 81,896	\$ 72,142
Combined statutory income tax rate	32.99%	35.75%
Computed expected income tax expense	\$ 27,020	\$ 25,790
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/non-taxable income	(20,172)	(16,637)
Income tax deductions on interest paid to the Fund	-	(3,051)
Withholding tax	187	256
Tax rate changes on future income taxes	173	715
Other	(690)	2,078
Provision for income taxes	\$ 6,518	\$ 9,151
Effective income tax rate	7.96%	12.69%

Actual income taxes could vary from these estimates as a result of future events, including changes in income tax laws or the outcome of tax review by tax authorities and related appeals. To the extent the final outcome is different from the amounts initially recorded, such differences, which could be significant, will impact the tax provision in the period in which the outcome is determined.

14. NET EARNINGS PER UNIT

Basic net earnings per unit are calculated based on the weighted-average units outstanding for the year-ended January 31, 2009 of 47,718 (year-ended January 31, 2008 - 47,649). The diluted net earnings per unit takes into account the dilutive effect of the deferred unit plan for Trustees and the additional income that would have been earned by the Company had interest costs not been incurred on the unit purchase loan plan and had the respective units been outstanding during the year.

(Units in thousands except earnings per unit)

Year Ended	January 2009	January 2008
Diluted earnings per unit calculation:		
Net earnings for the year		
(numerator for basic earnings per unit)	\$ 75,378	\$ 62,991
After-tax interest cost of unit purchase loan plan	397	485
Numerator for diluted earnings per unit	\$ 75,775	\$ 63,476
Weighted average units outstanding		
(denominator for basic earnings per unit)	47,718	47,649
Dilutive effect of security based compensation	713	761
Denominator for diluted earnings per unit	48,431	48,410
Basic earnings per unit	\$ 1.58	\$ 1.32
Diluted earnings per unit	\$ 1.56	\$ 1.31

15. SEGMENTED INFORMATION

The Company operates within the retail industry. The following information is presented for the two business segments:

Year Ended	January 2009	January 2008
Sales		
Canada	\$ 899,263	\$ 852,773
International	493,371	211,717
Total	\$ 1,392,634	\$ 1,064,490
Net earnings before amortization, interest and income taxes		
Canada	\$ 90,606	\$ 87,410
International	31,651	19,147
Total	\$ 122,257	\$ 106,557
Net earnings before interest and income taxes		
Canada	\$ 66,105	\$ 64,776
International	24,098	14,831
Total	\$ 90,203	\$ 79,607
Total assets		
Canada	\$ 405,417	\$ 367,882
International	203,756	161,788
Total	\$ 609,173	\$ 529,670

International includes the operations of Alaska Commercial Company, Cost-U-Less, Inc. which was acquired on December 13, 2007 (Note 21) and Span Alaska Enterprises, Inc. which was acquired on March 3, 2008 (Note 21). Included in Canada total assets is property and equipment of \$173,862 (January 31, 2008 - \$160,414). International total assets includes property and equipment of \$74,994 (January 31, 2008 - \$62,983) and goodwill of \$32,372 (January 31, 2008 - \$26,882).

16. EMPLOYEE FUTURE BENEFITS

The Company sponsors defined benefit pension plans covering the majority of Canadian employees. The defined benefit pension plans are based on years of service and final average salary. The Company uses actuarial reports prepared by independent actuaries for funding and accounting purposes as at January 31, 2009 and January 31, 2008. The accrued pension benefits and the market value of the plans' net assets were last determined by actuarial valuation as at January 1, 2006. The next actuarial valuation is required as at January 1, 2009. The Company also sponsors an employee savings plan covering all U.S. employees with at least six months of service. Under the terms of the plan, the Company is obligated to make a 50% matching contribution up to 6% of eligible compensation.

Total cash payments by the Company for future employee benefits, consisting of cash contributed to its pension plans and U.S. employee's savings plans for the year ended January 31, 2009 was \$4,433 (January 31, 2008 - \$4,086).

The following significant actuarial assumptions were employed to measure the accrued benefit obligations and benefit plan expense:

Year Ended	January 2009	January 2008
Accrued benefit obligations		
Discount rate	7.0%	6.0%
Rate of compensation increase	4.0%	4.0%
Benefit plan expense		
Discount rate	6.0%	5.3%
Expected long-term rate of return on plan assets	6.5%	7.0%
Rate of compensation increase	4.0%	4.0%

The Company's pension benefit expense is determined as follows:

Year Ended	January 2009			January 2008		
	Incurred in year	Matching Adjustments ¹	Recognized in year	Incurred in year	Matching Adjustments ¹	Recognized in year
Current service costs, net of employee contributions	\$ 3,388	\$ -	\$ 3,388	\$ 3,492	\$ -	\$ 3,492
Interest on accrued benefits	3,223	-	3,223	3,041	-	3,041
Return on plan assets	6,337	(10,001)	(3,664)	2,531	(6,006)	(3,475)
Actuarial (gain) loss	(8,623)	9,114	491	(6,488)	7,436	948
Past service costs	-	(11)	(11)	-	(11)	(11)
Amortization of net transition asset	-	(308)	(308)	-	(308)	(308)
Net benefit plan expense	\$ 4,325	\$ (1,206)	\$ 3,119	\$ 2,576	\$ 1,111	\$ 3,687

1 Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits

The expense incurred under the employee savings plan covering U.S. employees for the year ended January 31, 2009 is US\$396 (January 31, 2008 - US\$213).

Information on the Company's defined benefit plans, in aggregate, is as follows:

Year Ended	January 2009	January 2008
Plan assets		
Fair value—beginning of year	\$ 49,646	\$ 51,723
Actual return on plan assets	(6,337)	(2,531)
Employer contributions	4,003	3,855
Employee contributions	30	35
Benefits paid	(5,135)	(3,436)
Fair value—end of year	\$ 42,207	\$ 49,646

Plan obligations

Accrued benefit obligation—beginning of year	\$ 56,280	\$ 59,636
Current service cost	3,418	3,527
Accrued interest on benefits	3,223	3,041
Benefits paid	(5,135)	(3,436)
Actuarial gain	(8,623)	(6,488)
Accrued benefit obligation—end of year	\$ 49,163	\$ 56,280

Funded status

Fair value plan assets	\$ 42,207	\$ 49,646
Accrued benefit obligation	49,163	56,280
Plan deficit	(6,956)	(6,634)
Unamortized net actuarial losses	16,965	16,078
Unamortized net transitional asset	(1,458)	(1,766)
Unamortized past service costs	(29)	(40)
Accrued employee future benefit asset	\$ 8,522	\$ 7,638

The accrued employee future benefit asset is included in other assets in the Company's consolidated balance sheet (see Note 5).

The accrued benefit obligation of all of the Company's defined benefit pension plans exceeds the fair value of plan assets as noted above.

Year Ended	January 2009	January 2008
Plan assets consist of:		
Equity securities	58%	65%
Debt securities	36%	29%
Other	6%	6%
Total	100%	100%

The pension plans have no investment in the units of the Fund.

17. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

a) In 2002, the Company signed a 30-year Master Franchise Agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario which grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, *Giant Tiger Stores Limited* provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing distribution services to the stores. The Company's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected roll-out of 72 stores over the term of the agreement. As at January 31, 2009 the Company has opened 29 Giant Tiger stores and is in compliance with the terms of the agreement.

b) The Company has future commitments under operating leases as follows:

Years Ending January	Minimum Lease Payments
2010	\$20,853
2011	18,651
2012	17,148
2013	15,331
2014	13,890
2015+	73,890

Contingencies

a) In the ordinary course of business, the Company is subject to audits by taxation authorities. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the taxation authorities. The Company regularly reviews the potential for adverse outcomes and the adequacy of its tax provisions. The Company believes that it has adequately provided for these matters. If the final outcome differs materially from the provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the matters are resolved.

b) The Company is involved in various legal matters arising in the normal course of business. The occurrence of the confirming future event is not determinable or it is not possible to determine the amounts that may ultimately be assessed against the Company. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees The Company has provided the following significant guarantees to third parties:

a) The Company has entered into indemnification agreements with its current and former directors and officers to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or

any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. The Company has purchased director and officer liability insurance. No amount has been recorded in the financial statements with respect to these indemnification agreements.

b) In the normal course of operations, the Company provides indemnification agreements to counterparties for various events such as intellectual property right infringement, loss or damages to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these indemnification agreements vary based on the specific contract. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amount has been recorded in the financial statements with respect to these indemnification agreements.

18. SECURITY-BASED COMPENSATION

Deferred unit plan The Fund offers a deferred unit plan for independent Trustees. The purpose of the Trustee Deferred Unit Plan is to enhance the ability of the Fund to attract and retain independent Trustees whose training, experience and ability will contribute to the effective governance of the Fund and to directly align their interests with the interests of unitholders by providing compensation for services to the Fund in the form of units. Participants are credited with deferred units based on the portion of fees each participant elects to allocate to the deferred unit plan. Each deferred unit entitles the holder to receive a unit of the Fund. The deferred units are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Trustee. A participant may elect at the time of exercise of any deferred units, subject to the consent of the Fund, to have the Fund pay an amount in cash equal to the aggregate current market value of the units, determined based on the closing price of the units on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to the Fund the right to receive units from the exercising of the deferred units.

The Fund has adopted the fair value method of accounting for security based compensation for the Trustee Deferred Unit Plan. The deferred unit plan compensation expense recorded for the year ended January 31, 2009 is \$348 (January 31, 2008 - \$387). The liability for the deferred unit plan is recorded in accounts payable and accrued liabilities on the Company's consolidated balance sheet and is adjusted to reflect the total number of deferred units outstanding multiplied by the closing unit price at the end of the reporting period. The total number of deferred units outstanding at January 31, 2009 is 70,265 (January 31, 2008 - 42,677). There were no deferred units exercised during the year which were settled in cash.

Unit purchase loan plan The Company has a unit purchase loan plan for officers and senior management whereby loans are granted to employees to purchase units of NWF (see Note 11). These loans are in substance similar to stock options and accordingly are accounted for as stock-based compensation in accordance with section 3870 of the CICA handbook.

The compensation cost relating to the unit purchase loan plan for the year ended January 31, 2009 was \$599 (January 31, 2008 - \$587) with a corresponding increase in contributed surplus. The compensation cost is a non-cash expense and has no impact on the distributions from the Fund. There were NIL units (January 31, 2008 - 90,758) purchased under the unit purchase loan plan. The units are purchased at market prices and are fully vested at the time the loan is exercised. The units are pledged as security against the loan and can not be withdrawn from the plan until the principal amount of the loan is less than 65% or 80% of the market value of the units pledged as security or if the employee sells the units or leaves the Company. If the loan value as a percentage of the market value of the units pledged as security against the loan falls below the 65% to 80% threshold, the employee may reduce the number of units pledged equal to the market value in excess of the loan balance. Employees are required to make principal payments on the loan equal to the after tax distributions on the units pledged as security. The fair value of the compensation cost was estimated using the Black-Scholes model using the following assumptions:

Year Ended	January 2009	January 2008
Loan maturity	2011	2010
Risk-free interest rate	2.3%	4.2%
Expected volatility	28.3%	25.7%

Long Term Incentive Plans The Company implemented Long Term Incentive Plans (LTIPs) that provide for the granting of Restricted Share Units (RSU's) and Performance Share Units (PSU's) to officers and senior management. Each RSU entitles the participant to receive a cash payment equal to the market value of the number of notional units granted at the end of the vesting period. The RSU account for each participant includes the value of distributions from the Fund as if reinvested in additional RSU's. RSU awards vest with the employee on the third fiscal year-end following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Fund's units at the grant date and subsequently adjusted for additional units granted based on the reinvestment of notional distributions and the market value of the units at the end of the reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period.

Each PSU entitles the participant to receive a cash payment equal to the market value of the number of notional units granted at the end of the vesting period multiplied by factors related to the achievement of specific performance based criteria. The PSU account for each participant includes the value of distributions from the Fund as if reinvested in additional PSU's. PSU awards vest with the employee on the third fiscal year-end following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Fund's units at the grant date and subsequently adjusted for additional units granted based on the reinvestment of notional distributions and the market value of the units at the end of the reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period factoring in the probability of the performance criteria being met during that period.

Compensation costs related to the RSU's and PSU's for the year ending January 31, 2009 are \$1,904 (January 31, 2008 - NIL).

19. FINANCIAL INSTRUMENTS

Carrying Amount and Fair Value The following table presents the carrying amount and the fair value of the Company's financial instruments. Amortized cost is calculated using the effective interest rate method. When financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors for instruments with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgement.

Year Ended January 2009	Maturity	Assets (Liabilities) Carried at Cost/Amortized Cost		Assets (Liabilities) Carried at Fair Value
		Carrying Amount	Fair Value	Carrying Amount
Cash	Short-term	\$ 25,730	\$ 25,730	\$ -
Accounts receivable	Short-term	68,485	68,485	-
Financial assets included in other assets	Long-term	4,845	4,845	-
Bank advances and short-term notes (Note 7)	Short-term	(5,974)	(5,974)	-
Accounts payable and accrued liabilities	Short-term	(117,451)	(117,451)	-
Financial derivative instruments ¹	Short-term	-	-	(129)
Current portion of long-term debt ¹	Short-term	(49,198)	(49,198)	-
Long-term debt (Note 8)	Long-term	(157,725)	(158,638)	-

¹ These items total \$49,327 which comprises the current portion of long-term debt (see Note 8)

Year Ended January 2008	Maturity	Assets (Liabilities) Carried at Cost/Amortized Cost		Assets (Liabilities) Carried at Fair Value
		Carrying Amount	Fair Value	Carrying Amount
Cash	Short-term	\$ 21,732	\$ 21,732	\$ -
Accounts receivable	Short-term	62,759	62,759	-
Financial assets included in other assets	Long-term	4,820	4,820	-
Bank advances and short-term notes (Note 7)	Short-term	(4,336)	(4,336)	-
Accounts payable and accrued liabilities	Short-term	(109,877)	(109,877)	-
Financial derivative instruments ¹	Short-term	-	-	(5,116)
Current portion of long-term debt ¹	Short-term	(13,517)	(13,517)	-
Long-term debt (Note 8)	Long-term	(136,864)	(138,001)	-

¹ These items total \$18,633 which comprises the current portion of long-term debt (see Note 8)

The methods and assumptions used in estimating the fair value of the Company's financial instruments are as follows:

- The fair value of short-term financial instruments approximates their carrying values due to the immediate or short-term period to maturity.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium for the Company's credit profile.
- The financial derivative instruments have been marked to market using rates published by the financial institution which is the counter-party to these contracts.

Financial Derivative Instruments

Year Ended			
January 2009	Notional Value	Interest Rate	Fair Value
Interest rate swaps in effective fair value	US\$9,000	LIBOR plus	\$ 129
hedging relationship	(2007 - US\$14,000)	1.87%	(2007-\$121)
Cross-currency interest rate swaps in effective fair value hedging relationship	-	B.A. plus	-
	(2007 - US\$7,000)	2.99%	(2007-3,937)
Cross-currency interest rate swaps no longer in effective fair value hedging relationship	-	B.A. plus	-
	(2007 - US\$2,000)	3.16%	(2007-1,058)

Financial Risk Management The Company manages risk exposures created by its use of financial instruments through a combination of derivative financial instruments, a system of internal and disclosure controls and sound operating practices.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and

commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customers greater than 10% of total accounts receivable. At January 31, 2009 the Company's maximum credit risk exposure is \$84,514 (January 31, 2008 - \$77,874). Of this amount \$14,870 (January 31, 2008 - \$14,585) is more than 60 days past due. The Company has recorded an allowance against its maximum exposure to credit risk of \$12,941 (January 31, 2008 - \$11,829).

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and sustaining and growth-related capital expenditures and by regularly monitoring actual and forecasted cash flow and debt levels. The following table summarizes the financial liabilities by relevant maturity dates based on the remaining period at the balance sheet date to the contractual maturity date.

Year Ending January 31	Total	2010	2011	2012	2013	2014	2015+
Accounts payable and accrued liabilities	\$ 117,451	\$ 117,451	\$ -	\$ -	\$ -	\$ -	\$ -
Bank advances and short-term notes (Note 7)	5,974	5,974	-	-	-	-	-
Long-term debt (Note 8)	207,052	49,327	65,257	90,883	774	504	307
Operating leases (Note 17)	159,763	20,853	18,651	17,148	15,331	13,890	73,890
Total	\$ 490,240	\$ 193,605	\$ 83,908	\$ 108,031	\$ 16,105	\$ 14,394	\$ 74,197

At January 31, 2009, the Company has undrawn revolving loan facilities of \$62,541.

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in self-sustaining foreign operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging U.S. denominated borrowings with cross currency interest rate swaps and hedging of a portion of the net investment in self-sustaining foreign operations with a portion of U.S. dollar denominated borrowings.

Management considers a 10% variation in the Canadian dollar relative to the U.S. dollar from a year end rate of 1.2364 reasonably possible. Considering all major exposures to the U.S. dollar as described above, a 10% appreciation of the Canadian dollar against the U.S. dollar in the year end rate would cause net income to decrease by approximately \$100. A 10% depreciation of in the Canadian dollar against the U.S. dollar year end rate would cause net income to increase by approximately \$100.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term

borrowings. The Company manages exposure to interest rate risk by using a combination of interest rate swaps, a mixture of fixed and floating rates and cross currency interest rate swaps.

Considering all major exposures to interest rates as described above, a 100 basis point increase in the risk free rate would cause net income to decrease by approximately \$1,700. A 100 basis point decrease would cause net income to increase by approximately \$1,700.

20. CAPITAL MANAGEMENT

The Fund's objectives in managing capital are to deploy capital to provide an appropriate return to unitholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities of the business, maintain existing assets, meet financial obligations and enhance unitholder value. The capital structure of the Fund consists of bank advances and short-term notes, long-term debt including the current portion and unitholder equity. The Fund manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Fund may purchase units for cancellation pursuant to normal course issuer bids, issue additional units, borrow additional funds or refinance debt at different terms and conditions.

The Fund's process and policies for managing capital are regularly monitored by the Fund and are reflected in the following measures:

- The Fund's debt-to-equity ratio at the end of the year was .78 compared to .62 last year. The debt-to-equity ratio is within the Fund's objectives. The debt-to-equity ratio is calculated as follows:

Year Ended	January 2009	January 2008
Bank advances and short-term notes	\$ 5,974	\$ 4,336
Current portion of long-term debt (Note 8)	49,327	18,633
Long-term debt (Note 8)	157,725	136,864
Total debt	\$ 213,026	\$ 159,833
Total equity	\$ 274,410	\$ 256,301
Debt-to-equity ratio	.78	.62

- As a result of borrowing agreements entered into by the Fund, there are certain financial covenants that must be maintained. Financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. Compliance with financial covenants is reported quarterly to the Board of Trustees. At January 31, 2009 and 2008, the Fund is in compliance with all financial covenants. Other than the requirements imposed by these borrowing agreements, the Fund is not subject to any externally imposed capital requirements.

Capital management objectives are reviewed on an annual basis. The capital management objectives are substantially unchanged in 2008.

21. BUSINESS ACQUISITIONS

On March 3, 2008, the Company acquired all of the issued and outstanding shares of privately owned Span Alaska Enterprises, Inc. (Span), a food and general merchandise distributor serving retail and wholesale customers in rural Alaska, for \$6,190 in cash consideration plus contingent cash consideration of \$1,466 paid during the three months ended October 31, 2008.

On December 13, 2007, the Company purchased all of the issued and outstanding shares of Cost-U-Less, Inc. (CUL) a leading operator of mid-size warehouse format stores in remote island communities in the South Pacific and the Caribbean for \$54,258 in cash consideration.

All acquisitions have been accounted for by the purchase method of accounting and the results of operations of each acquisition are included in the consolidated financial statements from their respective closing date. The Company finalized the purchase price allocation during the year ended January 31, 2009 for both the CUL and Span acquisitions. The purchase price has been allocated to the acquired assets based on estimates of their fair value as at the closing date. In addition to fair value adjustments to the assets and liabilities acquired, intangible assets relating to the CUL banner and Span non-compete agreements in the amounts of \$7,152 and \$1,421 respectively were recorded. The net impact of the fair value adjustments was a reduction in CUL goodwill of \$4,913 and Span goodwill of \$1,220 from the amounts previously reported.

The following table summarizes the fair value of the assets acquired and the liabilities assumed:

	Span Alaska Enterprises, Inc. March 3, 2008	Cost-U-Less, Inc. December 13, 2007
Assets		
Cash	\$ -	\$ 3,043
Accounts receivable	1,977	1,298
Inventories	807	29,699
Prepaid expenses	17	663
Future income taxes	145	3,524
Property and equipment	104	27,503
Other assets	32	843
Intangible assets	1,421	7,152
Goodwill	4,422	22,492
Total Assets	\$ 8,925	\$ 96,217
Liabilities		
Bank advances and short-term notes	\$ -	\$ 3,122
Accounts payable and accrued expenses	1,269	34,567
Current portion of long-term debt	-	611
Future income taxes	-	828
Long-term debt	-	2,831
Total Liabilities	\$ 1,269	\$ 41,959
Cash consideration	\$ 7,656	\$ 54,258

Goodwill associated with the Span acquisition is deductible for tax purposes. The intangible assets are included in intangible assets on the Company's consolidated balance sheet.

Goodwill associated with the CUL acquisition is not deductible for tax purposes. The intangible assets are included in intangible assets on the Company's consolidated balance sheet.

22. DISTRIBUTIONS

The declaration of distributions from the Fund is subject to the terms of the Fund's Declaration of Trust and the discretion of the Board of Trustees. Following is a reconciliation of distributions recorded in retained earnings and distributions paid in cash:

Year Ended	January 2009	January 2008
Distributions recorded in retained earnings	\$ 65,310	\$ 55,635
Special distribution paid February 20, 2009 to unitholders of record on December 31, 2008	(3,386)	-
Special distribution paid February 22, 2008 to unitholders of record on December 31, 2007	5,806	(5,806)
Special distribution paid February 23, 2007 to unitholders of record on December 31, 2006	-	4,838
Distributions paid in cash	\$ 67,730	\$ 54,667

23. FUTURE ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accounts has issued the following new accounting standards:

International Financial Reporting Standards The Canadian Accounting Standards Board will require all public companies to adopt International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian Generally Accepted Accounting Principles to IFRS will be applicable for the Company's first quarter beginning February 1, 2011 when the Company will prepare comparative financial statements using IFRS.

The adoption of IFRS will have an impact on the Company's accounting, financial statements and disclosures, information systems and internal controls over financial reporting. Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of the date of the first comparative balance sheet presented. IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS.

— The Company has developed an implementation plan and will continue to invest in resources and training to facilitate a timely conversion. In executing the IFRS implementation plan, the Company is currently assessing the impact of IFRS on the consolidated financial statements and disclosures as well as the impact on information systems and internal controls over financial reporting.

24. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified to conform with the current year's presentation.

Unitholder Information

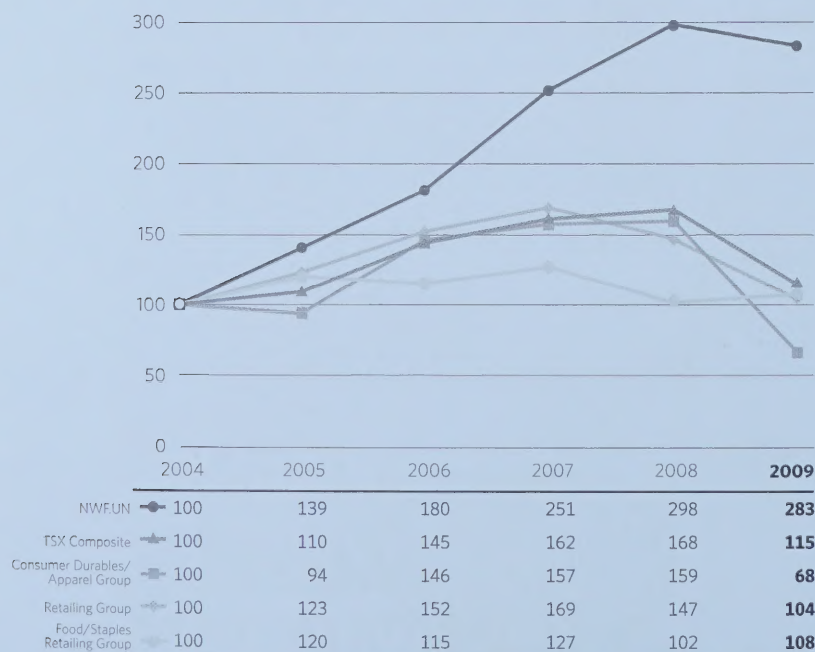
Fiscal Year	Unit Price High	Unit Price Low	Unit Price Close	Volume ¹	EPU ²
2008	\$ 19.99	\$ 13.00	\$ 16.14	16,402,351	\$ 1.56
April 30, 2008	19.99	17.37	18.53	3,378,010	0.32
July 31, 2008	18.75	14.20	14.55	4,473,357	0.38
October 31, 2008	17.75	13.00	17.00	4,438,533	0.46
January 31, 2009	18.50	15.10	16.14	4,112,451	0.40
2007	\$ 22.68	\$ 15.01	\$ 18.42	17,329,531	\$ 1.31
April 30, 2007	20.93	15.01	20.55	6,369,558	0.23
July 31, 2007	21.15	18.29	21.14	3,710,133	0.30
October 31, 2007	21.96	19.25	21.79	2,847,888	0.39
January 31, 2008	22.68	17.69	18.42	4,401,952	0.39
2006	\$ 18.50	\$ 10.64	\$ 16.41	13,166,699	\$ 1.12
April 30, 2006	14.17	10.64	13.62	1,543,300	0.20
July 31, 2006	15.96	12.65	15.49	2,360,545	0.27
October 31, 2006	18.50	14.74	17.61	3,105,911	0.31
January 31, 2007	17.19	12.25	16.41	6,156,943	0.34

1 Volumes are reflected as the actual volumes traded and show a blend of pre and post September 20, 2006 unit split trades

2 Net earnings per unit on a diluted basis

Total Return Performance (% at January 31)

This chart illustrates the relative performance of units (on a post split basis) of North West Company Fund over the past five years. The index incorporates the reinvestment of dividends and income distributions.



2009 Financial Calendar Reporting Dates

First Quarter: June 11, 2009

Second Quarter: September 10, 2009

Third Quarter: December 10, 2009

Fourth Quarter: March 18, 2010

North West Company Fund

Distribution Dates

Record and Payable Date: March 31, 2009

Distributable Date: April 15, 2009

Record and Payable Date: June 30, 2009

Distributable Date: July 15, 2009

Record and Payable Date: September 30, 2009

Distributable Date: October 15, 2009

Record and Payable Date: December 31, 2009

Distributable Date: January 15, 2010

2009 Annual and Special Meeting

The Annual and Special Meeting of Unitholders of North West Company Fund will be held on Thursday, June 11, 2009 at 11:30 am in room 2GH, Winnipeg Convention Centre, 375 York Avenue, Winnipeg, Manitoba.

Transfer Agent and Registrar

CIBC Mellon Trust Company

Calgary and Toronto

Toll-free: 1 800 387 0825

www.cibcmellon.ca

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol NWF.UN

TIN #: T 17 6857 82

CUSIP #: 662906-10-6

Number of units issued and outstanding at January 31, 2009: 48,378,000

Auditors

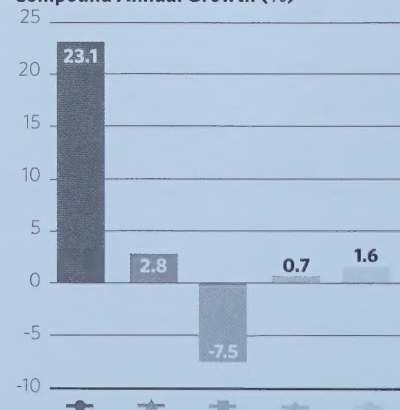
PricewaterhouseCoopers LLP

Bankers

The Toronto-Dominion Bank

Bank of Montreal

Compound Annual Growth (%)



Corporate Governance

Complete disclosure on North West Company Fund's corporate governance is provided in the Company's Management Information Circular, which is available on the Canadian Securities Administrators' website at www.sedar.com or in the investor section of the North West Company Fund's website at www.northwest.ca

Executives

NWC GP Inc.
The North West Company LP

Edward S. Kennedy
President & CEO

Léo P. Charrière
Executive Vice-President & CFO

Michael W. McMullen
Executive Vice-President,
Northern Canada Retail

Dalbir S. Bains
Vice-President,
Planning & Corporate Development

David M. Chatyrbok
Vice-President,
Canadian Procurement & Marketing

Daniel G. McConnell
Vice-President,
Real Estate & Store Development

Scott A. McKay
Vice-President & General Manager,
Giant Tiger, West Store Division

Karen J. Milani
Vice-President,
Human Resources

John D. King
Vice-President,
Finance & Secretary

Gerald L. Mauthe
Vice-President,
Information Services

C. Sabra Stephens
Vice-President,
Logistics & Supply Chain Services

Executives

International Operations

Edward S. Kennedy
Chairman & CEO

Rex A. Wilhelm
President & COO

Henry J. Baldwin II
Vice-President,
Human Resources

J. Robert Cain
Vice-President,
Logistics

Léo P. Charrière
Executive Vice-President & CFO

Thomas M. Kallio
Vice-President & General Manager,
Cost-U-Less

John D. King
Vice-President,
Finance & Secretary

Benjamin C. Piatt
Vice-President,
Procurement & Marketing

Walter E. Pickett
Vice-President & General Manager,
AC Value Centers

James W. Walker
Vice-President & General Manager,
Wholesale Operations

Trustees

North West Company Fund

H. Sanford Riley
Chairman

Edward S. Kennedy

David G. Broadhurst^{1,2,4}

Frank J. Coleman¹

Wendy F. Evans^{2,3}

Robert J. Kennedy^{2,3}

Gary J. Lukassen²

Keith G. Martell³

James G. Osborne^{1,3,4}

Ian Sutherland^{2,3,4}

Committees

- 1 Governance & Nominating
- 2 Audit
- 3 Human Resources & Compensation
- 4 Pension Supervisory

For additional copies of this report or for general information about the Fund or the Company, contact the Secretary:

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